

ing opposition to section 3 of House bill 3477, a bill to continue the Commodity Credit Corporation; to the Committee on Banking and Currency.

3711. Also, petition of Fred Walters and 20 other St. Louis citizens, protesting against the passage of House bill 2082, which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3712. Also, petition of William G. Maulkardt and other St. Louis citizens, protesting against the passage of House bill 2082 which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3713. Also, petition of W. B. Moloney and other St. Louis citizens, protesting against the passage of House bill 2082 which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3714. Also, petition of John F. Spangler and 20 other St. Louis citizens, protesting against the passage of House bill 2082 which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3715. Also, petition of R. Fife and 20 other St. Louis citizens, protesting against the passage of House bill 2082 which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3716. By Mr. SADOWSKI: Petition of the common council of the city of Hamtramck, Mich., at its regular meeting held in the city council chambers on November 9, 1943; to the Committee on Foreign Affairs.

3717. By Mr. ROLPH: Resolution of the Society of Insurance Brokers, San Francisco, Calif., endorsing House bills 3269 and 3270 and Senate bill 1362 and urging enactment; to the Committee on the Judiciary.

HOUSE OF REPRESENTATIVES

WEDNESDAY, NOVEMBER 24, 1943

The House met at 11 o'clock a. m.

Rev. Bernard Braskamp, D. D., pastor of the Gunton Temple Memorial Presbyterian Church, Washington, D. C., offered the following prayer:

Most merciful and gracious God, by whose Spirit we have guidance and understanding, help us during this day to give ourselves unreservedly to Thy leading, holding our own wishes in suspense until Thou dost declare Thy will.

We pray that Thou wilt create within the hearts of these Thy servants those desires which Thou dost delight to satisfy. Grant that their minds may be veritable sanctuaries of those revelations and visions of the wisdom of God which shall enable them to find a happy solution to the many difficult problems confronting our generation.

As Thou hast opened Thy hand in blessing upon our beloved country, so wilt Thou enlarge our souls with a sincere desire to bring in that blessed time when every need of struggling humanity shall be supplied and righteousness and peace shall flow as a mighty stream.

To Thy name we shall give all the praise. Amen.

The Journal of the proceedings of yesterday was read and approved.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced

that the Senate had adopted the following resolution (S. Res. 211):

Resolved, That the Senate had heard with profound sorrow and deep regret the announcement of the death of Hon. W. WARREN BARBOUR, late a Senator from the State of New Jersey.

Resolved, That a committee of 12 Senators be appointed by the President of the Senate to take order for superintending the funeral of the deceased Senator.

Resolved, That the Secretary communicate these resolutions of the House of Representatives and transmit a copy thereof to the family of the deceased.

Resolved, That as a further mark of respect to the memory of the deceased the Senate do now take a recess until 12 o'clock noon on Friday next.

The message also announced that pursuant to the provisions of the above resolution the Vice President had appointed Mr. HAWKES, Mr. VANDENBERG, Mr. WHITE, Mr. AUSTIN, Mr. MALONEY, Mr. TRUMAN, Mr. GREEN, Mr. MILLIKIN, Mr. TUNNELL, Mr. EASTLAND, Mr. REVERCOMB, and Mr. ROBERTSON members of said committee on the part of the Senate.

COMMEMORATING THE FORTIETH ANNIVERSARY OF THE FIRST AIRPLANE FLIGHT BY WILBUR AND ORVILLE WRIGHT

Mr. JEFFREY. Mr. Speaker, I ask unanimous consent for the present consideration of House Joint Resolution 175 commemorating the fortieth anniversary of the first airplane flight by Wilbur and Orville Wright.

The Clerk read the title of the joint resolution.

The SPEAKER. Is there objection to the present consideration of the resolution?

Mr. MICHENER. Mr. Speaker, reserving the right to object, will the gentleman state what the resolution is and whether it comes with a unanimous report from the committee?

Mr. JEFFREY. Mr. Speaker, this resolution was referred to the House Committee on the Library. It received their unanimous approval and was reported out.

The resolution simply commemorates the fortieth anniversary of the first flight of the Wright brothers, which anniversary will occur on December 17, 1943. The resolution asks no appropriation of money but expresses the gratitude and respect of the Nation through its elected representatives and orders that an engrossed copy of the joint resolution be presented to Orville Wright, the surviving brother.

Mr. MICHENER. In other words, the resolution is simply one of gratitude and respect and orders only that an engrossed copy of the joint resolution be transmitted to the person designated.

Mr. JEFFREY. Exactly.

Mr. MICHENER. Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the present consideration of the resolution?

There being no objection, the Clerk read the resolution, as follows:

Whereas on December 17, 1903, the first flight of a heavier-than-air machine was

made by Wilbur and Orville Wright at Kill Devil Hills, Kitty Hawk, N. C.; and

Whereas this flight fulfilled man's dream to conquer the air; and

Whereas this achievement of the Wright brothers has been of incalculable value to mankind; and

Whereas the Congress of the United States heretofore has recognized this epochal event by authorizing the erection of a memorial at the place of the flight; and

Whereas the fortieth anniversary of the first flight of a heavier-than-air machine will be commemorated on December 17, 1943: Now, therefore, be it

Resolved, etc., That the Nation express its gratitude and respect for this signal and astounding contribution to the progress of the world on the fortieth anniversary thereof.

That an engrossed copy of this joint resolution be transmitted to Orville Wright, the surviving brother.

The resolution was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

Mr. JEFFREY. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. JEFFREY. Mr. Speaker, this Nation is justly proud of its famous sons. Two of these are the Wright brothers of Dayton, Ohio.

On December 17, 1903, Orville and Wilbur Wright flew the first airplane on the sands of Kill Devil Hills at Kitty Hawk, N. C. That flight signalized man's conquest of the air. For years it had been a dream, the subject of poetry and prose. For years man had vainly striven to conquer space. Now dream and effort had become reality.

That achievement is unsurpassed in the annals of mankind. Heretofore the Congress has properly recognized the anniversary of this epochal event. It is fitting that the fortieth anniversary of this first flight should be commemorated.

In keeping with the life and character of the surviving brother, Orville Wright, I have introduced House Joint Resolution 175. This simple resolution expresses the gratitude and respect of the Nation through its chosen representatives to two great Americans. It voices the pride of a people in a genius whose contribution is ageless.

EXTENSION OF REMARKS

Mr. HOEVEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and include certain clippings.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

GEN. GEORGE S. PATTON, JR.

Mr. HOEVEN. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. HOEVEN. Mr. Speaker, this morning I received a telegram from a representative of one of the largest American Legion posts in the State of Iowa, as follows:

Respectfully request that you demand a full investigation of the General Patton incident with A. E. F. These are American soldiers and not Germans. If our boys are to be mistreated, let's import Hitler and do it up right.

The Patton incident is most unfortunate. The fathers and mothers of America having boys in the service, already weighed down by concern for the welfare of their sons, now will have the added anxiety of wondering whether or not their boys are being abused by hard-boiled officers. Perhaps we have too much "blood and guts" now. I feel that the entire matter should be investigated by our Committee on Military Affairs. Apparently General Patton is getting by with an apology. If the soldier had struck the general, we would have had a different story.

WAR RELOCATION AUTHORITY

Mr. POULSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. POULSON. Mr. Speaker, I would like to take this occasion to again publicly proclaim in behalf of 95 percent of the people of California our dissatisfaction with the appeasement program of Mr. Dillon Myer, of the War Relocation Authority. We in California realize that Mr. Myer has not made the segregation of loyal and disloyal Japanese, and if he continues in office, his policy of pampering the Japanese who admit their disloyalty will create situations far more serious than the Tule Lake incident.

Inasmuch as this is another agency set up by Executive order and not subject to congressional control, there remains only one avenue through which Congress can exercise its influence. That is through appropriations. The Committee on Appropriations will soon receive a request for many millions of dollars for the continuation of this appeasement and coddling program so I petition the members of the Committee on Appropriations to exercise their most judicious consideration in the granting of further appropriations for this organization.

THE TAX BILL

Mr. KNUTSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. KNUTSON. Mr. Speaker, a number of Members have spoken to me with reference to the tax bill which is to follow shortly, and I am therefore taking the floor for the purpose of announcing that we are willing to do everything we can to secure a final vote on the bill today so that Members who desire to leave town over the week end may do so. Here it is almost quarter past eleven. Judging by the number of Members who were on their feet a few moments ago seeking recognition, I am afraid the final vote on the bill will have to go over until tomorrow unless we can have cooperation.

RELIGIOUS FREEDOM

Mr. BRYSON. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. BRYSON. Mr. Speaker, I rise at this time to say a word of commendation for the excellent work which has been, is, and I hope shall continue to be done by the Thomas Jefferson Bicentennial Commission.

Several excellent publications have been heretofore issued by the Jefferson Commission through its capable secretary, Hon. Edward Boykin, the latest of which I now hold in my hand, treating of religious freedom. This valuable document is now available from the Commission by Members of Congress upon their individual requests and, no doubt, the supply will be quickly exhausted.

Those of us who are being supplied with documents about the life, character, and work of the Sage of Monticello for distribution among our schools, libraries, colleges, and the public generally, are most fortunate. The availability of desirable, authentic publications about Thomas Jefferson has been scant. I take this occasion to commend the gentlemen comprising the Jefferson Commission upon the fine work they are doing and feel that I voice the sentiment of the vast majority of our colleagues.

EXTENSION OF REMARKS

Mr. LANE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein an article appearing in the Lawrence Evening Tribune, Lawrence, Mass., November 19, and I also ask unanimous consent to extend my own remarks in the RECORD and to include a peace program proposed by the Knights of Columbus and adopted by the Supreme Council on August 19, 1943.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. LANE]?

There was no objection.

(Mr. WICKERSHAM asked and was given permission to extend his own remarks in the Appendix of the RECORD.)

Mr. MADDEN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial from the Gary Post-Tribune, written by H. B. Snyder.

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. MADDEN]?

There was no objection.

Mr. MANSFIELD of Montana. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein a tribute to an old friend of mine.

The SPEAKER. Is there objection to the request of the gentleman from Montana [Mr. MANSFIELD]?

There was no objection.

(Mr. WASIELEWSKI asked and was given permission to extend his own remarks in the Appendix of the RECORD.)

Mr. SLAUGHTER. Mr. Speaker, I ask unanimous consent that my col-

league from Alabama [Mr. NEWSOME] may be permitted to extend his own remarks in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from Missouri [Mr. SLAUGHTER]?

There was no objection.

(Mr. LEMKE asked and was given permission to extend his own remarks in the RECORD.)

Mr. SCHIFFLER. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include separately two editorials.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia [Mr. SCHIFFLER]?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. VURSELL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Illinois [Mr. VURSELL]?

There was no objection.

[Mr. VURSELL addressed the House. His remarks appear in the Appendix.]

EXTENSION OF REMARKS

Mr. O'BRIEN of New York. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein a letter sent to me by one of my distinguished constituents with reference to subsidies, and I also ask unanimous consent to extend my own remarks in the RECORD and to include a speech given by the national commander of the American Legion in Chicago on November 10 before the American Petroleum Institute.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. O'BRIEN]?

There was no objection.

FISH BRING \$4.55 A POUND

Mr. GIFFORD. Mr. Speaker, I ask unanimous consent to proceed for one-half minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. GIFFORD]?

There was no objection.

Mr. GIFFORD. Mr. Speaker, I made a statement yesterday that fish were bringing \$4.55 per pound. Perhaps you disbelieve that, but I want to put in the RECORD a full explanation of why that situation exists in the attempt to fix prices. In order to secure the catch the processor will pay enormous prices for fish on which there are no ceilings. It is a peculiar situation. Read this article. It is illuminating.

FISH BRING \$4.55 A POUND

New Bedford's fluke market on the fish exchange repeated itself Sunday, when the non-price-controlled fish sold for the unprecedented prices of \$4.55 and \$4.50 a pound.

The bidding skyrocketed as dealers resumed their feud over control of the yellowtail market. Last week end similar attempts to obtain yellowtails, in spite of the much-disputed voluntary allocation plan which restricts catches to five dealers, resulted in prices of \$2.36 for fluke and \$1.51 for butterfish.

Records of the United States Fish and Wildlife Service showed that 13,000 pounds of yellowtails on the *Sankaty Head* went along with 90 pounds of fluke selling at \$4.50, while 16,000 pounds of yellowtails aboard the *Gay Head* accompanied about 150 pounds of fluke at \$4.55. The fish normally sells for about 25 cents.

Buyers were reported to be the Dartmouth Fillet Co. and L. S. Eldridge & Son.

Certain of New Bedford's established dealers reported last week that they were "teaching a lesson" to dealers failing to abide by the allocation plan. Under the noncompetitive system of ceiling prices for yellowtails, bidding for non-price-controlled fish on the side appeared to be a way of determining who should get the catch.

Fishermen who brought in the fish on both occasions were reported to be bewildered by the turn of events which made dealers attach such a price to the hitherto neglected fluke.

EXTENSION OF REMARKS

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD on three subjects and to include certain statements and excerpts.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. PATMAN]?

There was no objection.

ANTISUBSIDY GROUP WILL LOSE

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Texas [Mr. PATMAN]?

There was no objection.

Mr. PATMAN. Mr. Speaker, the vote yesterday on the subsidy question indicates that the antisubsidy proponents do not have a two-thirds vote. On my amendment to strike out section 3 they lacked 10 votes of having enough for a two-thirds majority, and on the Monroney amendment they lacked 29 votes of having two-thirds. So instead of the antisubsidy group being encouraged over yesterday's vote, in view of the undisputed facts they should be discouraged because the outlook for them is gloomier than ever, and I predict they will lose.

ANSWERING MR. FULTON LEWIS, JR.

Although I did not hear him, I understand that the radio spokesman for the Republican Party, Mr. Fulton Lewis, Jr., last night on his radio broadcast left the impression that I had changed my views on the subsidy question because I voted to extend the life of the Commodity Credit Corporation. If such an inference were left, it was an erroneous one, since I am just as much opposed to prohibiting subsidies as ever and will continue my efforts to eliminate the provision in the bill that will prohibit them. If the Senate does not strike out this provision and the conference committee does not strike it out, the President will veto the bill and I will vote to sustain his veto.

THE TAX BILL

Mr. CLARK. Mr. Speaker, I call up House Resolution 360 and ask for its immediate consideration.

The Clerk read as follows:

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 3687) to provide revenue, and for other purposes, and all points of order against said bill are hereby waived. That after general debate, which shall be confined to the bill, and shall continue not to exceed 2 days, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, the bill shall be considered as having been read for amendment. No amendment shall be in order to said bill except amendments offered by direction of the Committee on Ways and Means, and said amendments shall be in order, any rule of the House to the contrary notwithstanding. Amendments offered by direction of the Committee on Ways and Means may be offered to any section of the bill at the conclusion of the general debate, but such amendments shall not be subject to amendment. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion, except one motion to recommit.

Mr. CLARK. Mr. Speaker, I yield 30 minutes to the gentleman from New York [Mr. FISH] and yield myself 5 minutes.

Mr. Speaker, this rule would of course make in order the immediate consideration of the tax measure. The Committee on Ways and Means was unanimous in requesting the Committee on Rules to report out this particular type of rule. It is of course a closed rule, which permits of no amendments except those approved by the Committee on Ways and Means. This is the usual type of rule under which tax measures have to be considered.

I wish to congratulate the Committee on Ways and Means, whether it has fully met the views of everyone in the country or not, for having returned to Washington before the recess was over and gone to work on this tax measure. The members of this committee have worked on it for many, many weeks, long, hard hours, both day and night. I feel that they have undertaken seriously to do that which in their judgment is best for the country under the present circumstances, and that we may rely with a great deal of confidence on what they have done.

I know the House wants to get down to the consideration of the measure and I see no particular reason why we should consume much time in debating this rule. I shall cooperate with the gentleman on the minority side and conclude the debate on the rule as speedily as possible.

Mr. FISH. Mr. Speaker, I yield myself 10 minutes.

Mr. Speaker, as the distinguished gentleman from North Carolina [Mr. CLARK] has so ably stated, this rule comes to the House upon the recommendation of the Committee on Ways and Means, who were unanimous in asking for this type of rule. The Committee on Rules reported it out also by a unanimous vote

to the House, who, of course, in the last analysis, are the masters of their own rules. However, for this particular type and character of bill, this is the customary rule, in order to avoid confusion and delay.

Mr. Speaker, it is not my function as a member of the Committee on Rules to discuss the intricacies of this revenue legislation. That is the duty of the committee members under the very distinguished leadership of the gentleman from North Carolina, Chairman ROBERT DOUGHTON, the greatest Roman of them all. But, Mr. Speaker, I do propose to take some time to refresh the memories of the Members of the House on both sides as to the original proposal emanating from the Secretary of the Treasury, Henry Morgenthau, Jr., which, in my humble opinion, if it had been carried out, instead of being repudiated by the Committee on Ways and Means, would have put us on a level with the Communists, and might have even outcommunized the Communists. So I propose to take time, not to talk about the details of the tax bill which is before you but to speak about the original proposal as submitted by the Secretary of the Treasury.

I take this occasion to congratulate the Republican members of the Committee on Ways and Means for refusing to further increase income taxes and place oppressive burdens upon the American people, particularly the middle class, who are already groggy and staggering along under the tax load as best they can. Those sound and wise Democrats who joined with them under the able leadership of the gentleman from North Carolina, Chairman BOB DOUGHTON, are likewise to be highly commended for opposing the preposterous and communistic proposal of Secretary of the Treasury Morgenthau to virtually limit net incomes to \$10,000.

The public was never fully informed of the abomination of desolation recommended by Secretary Morgenthau. Previously the attempt to limit salaries to \$25,000 was squelched by Congress and by the American press as an attempt to interfere with private initiative and free enterprise. However, the original tax proposal of Secretary Morgenthau at the hearings on the present bill was incomparably more drastic and revolutionary and actually limited net salaries and incomes to \$10,000. A taxpayer with \$150,000 net would have only \$6,600 remaining after taxes, whereas another taxpayer with \$15,000 net would have \$7,600, or \$1,000 more, left after payment of taxes.

Mr. KNUTSON. Mr. Speaker, will the gentleman yield?

Mr. FISH. I shall be delighted to yield to my distinguished colleague from Minnesota, who some day will be the chairman of the Committee on Ways and Means.

Mr. KNUTSON. I thank the gentleman. We accept the nomination with due humility.

Mr. FISH. It is inevitable.

Mr. KNUTSON. I should like to call the attention of the gentleman to the fact that an individual with an income of \$750,000 in 1944 and again in 1945 will pay the full \$750,000 plus \$3,250.

Mr. FISH. In other words, pay 101 percent.

Mr. KNUTSON. On a \$1,000,000 income the individual will pay \$5,750 in addition to the full million dollars in 1944 and again in 1945, and so on. The more his income the more he will owe. The man with a \$5,000,000 income will owe \$45,750 plus the \$5,000,000.

Mr. FISH. Then, as I take it, I have underestimated the situation. I stated the original Morgenthau proposal would limit incomes and salaries to \$10,000 a year. Now, according to my friend from Minnesota, some of the taxpayers in the higher brackets will be owing money. They will be called upon to pay over 100 percent of their income and will not have \$10,000 left after taxes. I thought the man who had a million-dollar income was to at least retain \$10,000. Evidently I have made a mistake, and he will be owing more than that to the Government. But as a general proposition, what I stated was to the effect that it was an attempt to limit all salaries and incomes to \$10,000.

You gentlemen of the House on both sides, because this is not a political issue, remember the furor and the uproar when President Roosevelt and the Treasury Department suggested limiting net income but salaries to \$25,000 annually. That was squelched by an overwhelming vote of the House. Now the Secretary of the Treasury in his original proposal on this tax bill which he and his Treasury subordinates advocated before the Committee on Ways and Means sought to limit salaries and incomes—all income—to \$10,000 a year. I submit this Socialist plan is not known to the American public. The details were never really told to the American people. I have talked to literally hundreds of businessmen, large and small, and not one of them had heard of this radical attempt to limit salaries and income to \$10,000. They all knew about what they called the outrage to limit salaries to \$25,000, but when it came to limiting both to \$10,000, they had never heard of it. That is why I am taking the floor today, to refresh the memories of at least the Members of the House of Representatives on both sides as to this outrageous proposal emanating in the first instance from the Treasury Department.

The largest taxpayers, already squeezed white, would be mulcted of virtually all their income by the Government. As my friend from Minnesota suggests, they will be mulcted of all of it and more, too. The recommendations of the Secretary of the Treasury would also have tended to liquidate the middle class, the farmers, the home owners, and the small-business and professional men and women, and also would have added greatly to the burden of the wage earners, which would have caused severe hardship in every American home.

The proposal to virtually limit income to \$10,000 and to heap additional taxes on the already overburdened middle class was an attempt by tax legislation to

socialize and revolutionize America and to out-communize the Communists.

The existing income taxes are already oppressive and further burdens would be destructive of free enterprise and the American standard of living. The way to stop crushing and excessive taxes is to economize and reduce governmental expenditures all along the line by abolishing useless bureaucratic agencies, eliminating at least 300,000 Federal employees as a beginning, and supervising war expenditures. The Congress made a good start yesterday in stopping the vicious subsidy program, which if it ever got underway would have cost the taxpayers \$2,000,000,000 annually. Even the Democratic members of the Committee on Ways and Means threw the socialistic-communistic Morgenthau proposal to confiscate large incomes and liquidate

the middle class out of the window. The brazen attempt of the New Deal administration, drunk with power and long tenure of office, to use the tax system to limit all incomes to \$10,000 and to undermine thereby the American system of free enterprise was repudiated not only by the Republican members, but by Jeffersonian Democrats on the Committee on Ways and Means, much to their credit.

Mr. Speaker, I believe the whole House, Republicans and Democrats, owe a vote of gratitude to the members of the Committee on Ways and Means for throwing this outrageous proposal into the New Deal ashcan.

Mr. Speaker, the following table illustrates what the total tax burden would be under the original Treasury plan for individual taxpayers:

Comparison of total tax burden under existing law and under Treasury plan (no post-war credit allowed)—Married person, no dependents

Net income before personal exemption	Net tax plus ½ unforgiven tax			Effective rates (net tax plus ½ unforgiven tax)			Net income after tax (net tax plus ½ unforgiven tax)	
	Present law	Treasury plan	Increase or reduction	Present law	Treasury plan	Increase or reduction	Present law	Treasury plan
				Percent	Percent	Percent		
\$600.....	\$1.28	-----	-\$1.28	0.213	-----	-0.213	\$598.72	\$600.00
\$750.....	6.28	-----	-6.28	.837	-----	-.837	743.72	750.00
\$800.....	7.94	-----	7.94	.992	-----	-.992	792.06	800.00
\$1,000.....	14.62	-----	-14.62	1.462	-----	-1.462	985.38	1,000.00
\$1,200.....	21.28	\$27.00	5.72	1.773	2.250	.477	1,178.72	1,173.00
\$1,500.....	79.28	108.00	28.72	5.285	7.200	1.915	1,420.72	1,392.00
\$1,800.....	157.38	207.50	50.12	8.743	11.550	2.807	1,642.62	1,592.00
\$2,000.....	205.45	272.50	67.05	10.272	13.625	3.353	1,794.55	1,727.50
\$2,500.....	325.61	446.00	120.39	13.024	17.840	4.816	2,174.39	2,054.00
\$3,000.....	445.78	634.50	188.72	14.859	21.150	6.291	2,554.22	2,365.50
\$4,000.....	713.11	1,065.50	352.39	17.827	26.637	8.810	3,286.89	2,934.50
\$5,000.....	987.20	1,502.25	515.05	19.744	30.045	10.301	4,012.80	3,497.75
\$6,000.....	1,297.28	1,988.00	690.72	21.621	33.133	11.512	4,702.72	4,012.00
\$7,000.....	1,616.36	2,479.75	863.39	23.090	35.425	12.333	5,383.64	4,520.25
\$8,000.....	1,971.44	3,020.50	1,049.06	24.643	37.756	13.113	6,028.56	4,979.50
\$9,000.....	2,335.53	3,567.25	1,231.72	25.950	39.636	13.686	6,664.87	5,432.75
\$10,000.....	2,735.62	4,154.00	1,418.38	27.356	41.540	14.184	7,264.38	5,846.00
\$15,000.....	5,039.78	7,373.50	2,333.72	33.598	49.156	15.558	9,960.22	7,626.50
\$20,000.....	7,906.45	11,162.50	3,256.05	39.532	55.812	16.280	12,093.55	8,837.50
\$25,000.....	11,187.11	15,382.50	4,195.39	44.748	61.530	16.782	13,812.89	9,617.50
\$30,000.....	14,710.78	19,842.50	5,131.72	49.035	66.141	17.106	15,289.22	10,157.50
\$40,000.....	22,163.11	29,089.50	6,926.39	55.407	72.723	17.316	17,836.89	10,910.50
\$50,000.....	30,240.58	38,737.00	8,496.42	60.481	77.474	16.993	19,759.42	11,263.00
\$60,000.....	38,855.63	48,710.50	9,854.87	64.759	81.184	16.425	21,144.37	11,289.50
\$70,000.....	47,808.19	58,832.50	11,024.31	68.297	84.046	15.749	22,191.81	11,167.50
\$80,000.....	57,098.24	69,092.00	11,993.76	71.372	86.265	14.893	22,901.76	10,908.00
\$90,000.....	66,725.86	79,489.00	12,763.14	74.139	88.321	14.182	23,274.20	10,511.00
\$100,000.....	76,591.86	90,012.00	13,420.14	76.591	90.012	13.421	23,408.14	9,987.50
\$150,000.....	127,155.13	143,911.00	16,755.87	84.770	95.540	10.770	22,844.87	6,689.00
\$200,000.....	178,843.41	196,745.50	17,902.09	89.421	98.372	8.951	21,156.59	3,254.50
\$250,000.....	231,107.69	250,244.00	19,136.31	92.443	100.000	7.557	18,892.31	-244.00
\$300,000.....	292,466.58	317,744.00	25,277.42	98.499	103.548	5.049	15,903.42	-17,744.00
\$350,000.....	353,250.00	385,244.00	32,000.00	100.433	104.699	4.266	-3,250.00	-35,244.00
\$400,000.....	414,000.00	452,244.00	38,244.00	100.575	105.274	4.699	-5,750.00	-52,744.00
\$450,000.....	474,750.00	512,244.00	37,494.00	100.787	106.137	5.350	-15,750.00	-122,744.00
\$5,000,000.....	5,045,750.00	5,332,744.00	286,994.00	100.915	106.654	5.739	-45,750.00	-332,744.00

Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from Massachusetts [Mr. McCORMACK].

Mr. McCORMACK. Mr. Speaker, it is always interesting to listen to the gentleman from New York [Mr. FISH] speak. We are always bound to hear people called a lot of new names. We hear Secretary Morgenthau called a Socialist and a Communist for submitting some proposal, and a lot of other pet names. Whenever I hear a man call other persons names in argument, the thought always exists in my mind that it is evidence of inability to make a fair and effective argument on the merits of the proposition. To me, name-calling is an indication of defeatism and inability to have an argument available to discuss the merits of a proposition.

However, that is not my purpose in rising here. My purpose is to make one

terse observation. President Roosevelt said at the outset of the war there would be no blood millionaires made out of this war. It means a lot to the fellow in uniform, it means a lot to the fellow who is fighting abroad, whether or not blood millionaires are being made out of his sacrifices and out of this war. After this war is over, brushing aside all these high-sounding phrases that may temporarily mislead or deceive some of our people, after this war is over, I reiterate, there will be no blood millionaires.

Mr. FISH. Mr. Speaker, will the gentleman yield for a question?

Mr. McCORMACK. Yes.

Mr. FISH. I should just like to ask my distinguished colleague if he was in favor of limiting net salaries and incomes to \$10,000.

Mr. McCORMACK. Did the gentleman say the Secretary of the Treasury proposed that?

Mr. FISH. That was the general proposal in the bill, as anyone can see if he studies and analyzes it.

Mr. McCORMACK. I am advised by members of the Committee on Ways and Means that the Secretary of the Treasury never proposed it.

Mr. FISH. It is in the bill, if the gentleman will study the bill.

The SPEAKER. The time of the gentleman from Massachusetts has expired.

Mr. CLARK. Mr. Speaker, I yield 2 minutes to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Speaker, I want the RECORD to show I am opposed to the closed rule on this bill. I am opposed to it for two reasons: In the first place, I do not think it is customary to grant a closed rule on a legislative bill—and this is not only a tax bill; this bill contains a provision about renegotiation of contracts which may or may not be desirable. I have some concern about these provisions and believe they should at least be open to amendment. The bill should, in my opinion, have been considered under an open rule. The second reason I have for being against the closed rule is because I should like to have been able to offer, and I want the people of my district to know I would have offered, amendments to make this tax bill raise more revenue than it provides. I do not think there is any other answer to inflation except a courageous program of taxation so we could stop the creation of new money by sale of bonds to commercial banks. The distinguished chairman of the committee has been kind enough to say that he would grant me a little time later on in the debate. At this point I should only like to say that it is important that the Members on the Republican side of the aisle make up their minds whether they were right yesterday or whether they are right today; were they right yesterday when they told us there is an abundance of surplus buying power in the hands of the people, so it did not matter whether there are means or machinery for keeping down prices to consumers, or are they right today when they tell us a great and terrible government is, in order to try to finance the greatest war in history, taking more money out of the pockets of the taxpayers than can be justified? For my part, I will say whereas I do not agree to a flat limitation by Executive order of the amount of income or salary that a person can receive, I do believe, in all justice, that in time of war the Congress should levy such tax rates on income of ourselves as citizens as will be commensurate with the needs of that war. I do not think those rates should ever be confiscatory, but I do believe in the higher brackets they should be sufficiently steep so that in practical effect there will be some limit on the amount of money a person can save or keep or spend on himself while people are fighting and dying on the battlefields of the world.

Mr. FISH. I yield 1 minute to the gentleman from Michigan [Mr. HOFFMAN].

Mr. HOFFMAN. We all have the highest respect for the gentleman from California [Mr. VOORHIS] and for his opinions. I have had many a protest too from folks who did not wish to be taxed. I would like to write a tax bill that would not hit anybody in my district or any of the people who vote for me. Theater owners are kicking about the amusement tax. The C. I. O. is kicking about the sales tax. The people who operate factories and businesses are all kicking about the income tax. I would like to be able to get up here on the floor and offer amendments, amendments covering every one of my constituents and exempting every last one of them from taxation and then I would be able to write a nice letter back home and say, "I did all I could but that House of Representatives would not go along with me, so you are stuck; it is all their fault." But a tax bill cannot be written that way. It is a technical subject. This committee is a nonpartisan committee if there ever was such a committee in the House. They have knowledge that we have not, or I will say they have knowledge that I have not; I will not say anything about any one else. I could not write a tax bill if I tried. In all frankness I say I do not believe, with all due respect, that two-thirds of the Members of the House could write a tax bill if they had a chance. I am willing to leave it to the committee. Just as long as we continue to spend and spend we must tax and tax. My remedy would be to spend less.

Mr. FISH. I yield such time as he may desire to the gentleman from Minnesota [Mr. KNUTSON].

Mr. KNUTSON. Mr. Speaker and Members of the House, I am rather reluctant to take the floor again at this time, because I shall have to do so later on. But I want to say to the minority Members that the minority of the Ways and Means Committee were a unit in favoring the issuance of the rule now under consideration. The older Members of the House will recall that back in 1932, when the present majority had just secured control of the House, they brought in a tax bill, as I recall, without a rule and by the time the House got through with it, its authors could not recognize it. Closed rules are necessary in the consideration of tax measures on the floor, otherwise everyone with a pet theory of taxation would offer amendments and perhaps have them adopted and by the time we got through the bill would be neither fish nor fowl. As a general proposition I am not in favor of these so-called special or gag rules, but I realize we must have one whenever a tax bill is before the House. I want at this time to express my appreciation to the members of the Rules Committee for the very fine and well attended hearing they gave us one day last week. It is very encouraging to go before a body of industrious and intelligent men such as make up that committee, because we know we will always get a fair deal. I hope we can expedite matters now and shortly take the rule up for passage so that those who have plans to leave the city for over Thanksgiving may be permitted to leave late this afternoon. And as I said a

while ago, if we do not dispose of the bill today I am afraid we will have to be in session tomorrow, and that would be regrettable. It is up to the House as to whether or not we will be in session tomorrow and I ask the cooperation of every Member of this body in expediting the consideration and final passage of this bill so that we may dispose of this matter in a reasonable time this afternoon.

Mr. FISH. Mr. Speaker, I yield myself 1 minute.

Mr. Speaker, the majority leader apparently was a little annoyed that I should term the original tax proposal of Secretary Morgenthau as socialistic and practically communistic. I am reminded of the old Latin proverb "Magna est veritas, et praevalabit"—Truth is mighty and will prevail.

There is no question, and I propose to prove it by asking unanimous consent to insert in my previous remarks tables showing that no taxpayer would have more than \$10,000 left under the original Treasury plan. In view of what the majority leader said, I ask unanimous consent to insert in my previous remarks a table showing the effect of the proposed Treasury tax plan on incomes of various sizes. This table shows that under the Treasury plan no one would have more than \$11,000 after taxes. I made a slight error of \$1,000 and I am willing to admit that, but I want the RECORD to show that \$11,000 is the maximum that would be left any taxpayer in the proposed Morgenthau-Roosevelt plan.

Mr. RANKIN. Mr. Speaker, will the gentleman yield?

Mr. FISH. I yield to the gentleman from Mississippi.

Mr. RANKIN. You say the Treasury tax bill. Is that the bill we are now considering?

Mr. FISH. Oh, no. I mean the original Morgenthau-Roosevelt program limiting salaries and incomes to \$11,000, which was the recommendation of the Treasury Department. Nobody back home apparently has ever heard of it. They have heard of \$25,000 salary limitation, but this was an \$11,000 income-and-salary limitation and that, in my opinion, was revolutionary and socialistic and would have placed us on a par with the communistic program.

Mr. Speaker, I ask unanimous consent to insert these tax tables in the RECORD at the end of my previous remarks showing that my contention is correct in spite of the statement of the majority leader [Mr. McCORMACK].

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. CLARK. Mr. Speaker, I yield 5 minutes to the gentleman from Texas [Mr. LANHAM].

Mr. LANHAM. Mr. Speaker, at the very beginning of the printed report of the Committee on Ways and Means with reference to this tax bill, the statement is made that in preparing this bill the committee has given consideration to five different factors. The fifth factor is enumerated as the possibility for economy in governmental expenditures.

Inasmuch as governmental revenue and governmental economy are properly

closely allied subjects, I think it very pertinent to call attention again to the fact that on February 24, 1942, in the Seventy-seventh Congress, I introduced a bill, H. R. 6667, to establish an office of fiscal investigation, as an agency of the House of Representatives, to follow up appropriations that we make and to see how the money is expended and be able to give us the necessary information to eliminate waste and duplication and extravagance. I reintroduced that measure in this Congress as H. R. 83, on January 6, 1943. In order that the matter might be considered by the House alone, in view of the fact that it pertains to a proposed agency of the House of Representatives, I have recently introduced it as House Resolution 358.

I believe that the adoption of the policy suggested in this measure will save the taxpayers of this country untold millions of dollars. Through the courtesy of the Chairman of the Committee on Accounts, our beloved colleague the gentleman from Missouri [Mr. COCHRAN], hearings were held a week ago today on this measure before the Committee on Accounts. I trust that committee will soon report this measure to the House for consideration.

It would place at the disposal of the standing committees of this House an agency akin in its particular line of work to that of our office of Legislative Counsel, and such an agency would be able to get accurate and definite information for each committee with reference to authorizations of appropriations that might be requested of that committee, and then, in conjunction with the special agency which heretofore has been approved for the Appropriations Committee, and concerning which the gentleman from Iowa [Mr. JENSEN] has a pertinent bill pending before the same Committee on Accounts, we would be able to know the amount of the authorizations we should make, and then we would be able to follow up the appropriations and know how the money was spent. I think also if there are Federal agencies which are performing State rather than Federal functions, we will be able to eliminate them through the information we can get.

In the interest of economy, which is recited as one of the considerations of the Committee on Ways and Means in the preparation of this measure, I want to urge very early consideration of this House Resolution 358. The responses I have had with reference to it from various parts of the country confirm my belief that its adoption will result in governmental economy that will save the people of this country great sums of money, and will save us the embarrassment of being accused of responsibility for the acts of bureaucratic agents which, if we ever authorized them, were authorized in ignorance of the amounts of money that were necessary to be expended and of how those amounts were expended after they were appropriated.

The SPEAKER. The time of the gentleman from Texas [Mr. LANHAM] has expired.

Mr. DOUGHTON. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts [Mr. GIFFORD].

Mr. GIFFORD. Mr. Speaker, this 1 minute is all I care to take on the tax bill today.

On page 3 of the report I received enlightenment. I could not understand why a man receiving a little more than \$300,000 a year salary should want the job of a Congressman. Look up that table and you will find that what he will retain after he pays taxes will be less than \$8,000 next year. That seems to be the answer.

EXTENSION OF REMARKS

Mr. DOUGHTON. Mr. Speaker, I yield to the gentleman from Montana for a unanimous-consent request.

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD with reference to the price of oil in Montana.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. RANKIN. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein the bill (S. 1285) on absentee ballots for our men in the armed forces.

The SPEAKER. Is there objection?

There was no objection.

CALL OF THE HOUSE

Mr. RIVERS. Mr. Speaker, I make the point of order that a quorum is not present.

Mr. MCCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 164]

Allen, La.	Goodwin	O'Brien, Mich.
Auchincloss	Graham	O'Leary
Baldwin, Md.	Grant, Ala.	Philbin
Bland	Green	Plumley
Boykin	Hale	Powers
Bradley, Mich.	Halleck	Pracht
Bradley, Pa.	Harness, Ind.	Ramspeck
Buckley	Harris, Va.	Robison, Ky.
Byrne	Hart	Rodgers, Pa.
Canfield	Hendricks	Rogers, Calif.
Cannon, Mo.	Herter	Scott
Celler	Hobbs	Sheridan
Chenoweth	Holmes, Wash.	Short
Coffey	Jackson	Simpson, Pa.
Compton	Jarman	Smith, Ohio
Cravens	Johnson, Ind.	Snyder
Crawford	Jones	Sparkman
Cullen	Kee	Starnes, Ala.
Dawson	Keefe	Sumner, Ill.
Dewey	Kennedy	Sundstrom
Dickstein	Kinzer	Taber
Dies	Kieberg	Taber
Dirksen	Lambertson	Thomas, N. J.
Douglas	Lewis, Colo.	Thomas, Tex.
Eaton	Martin, Mass.	Tibbott
Elmer	Mason	Troutman
Fay	Merritt	Walter
Fisher	Miller, Pa.	Wene
Fogarty	Monroney	Whelchel, Ga.
Ford	Morrison, La.	Whitten
Fulmer	Mott	Wigglesworth
Gale	Murphy	Wolfenden, Pa.
Gallagher	Myers	Wolverton, N. J.
Gavagan	Newsome	Woodrum, Va.
Gillette	Norton	

The SPEAKER. Three hundred and twenty-six Members have answered, a quorum.

Mr. MCCORMACK. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

THE REVENUE ACT OF 1943

Mr. CLARK. Mr. Speaker, before so many Members were on the floor I stated

that this rule was reported by the Committee on Rules upon the unanimous request of the Ways and Means Committee. It is the rule customarily used in the consideration of a tax bill. I hope it will be adopted.

Mr. Speaker, I move the previous question on the resolution.

The SPEAKER. The question is on the resolution.

The question was taken; and on a division (demanded by Mr. VOORHIS of California) there were—ayes 208, noes 7. So the resolution was agreed to.

The SPEAKER. The Chair recognizes the gentleman from North Carolina [Mr. DOUGHTON].

Mr. DOUGHTON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 3687) to provide revenue, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 3687, the Revenue Act of 1943, with Mr. GORE in the chair.

The Clerk read the title of the bill.

The first reading of the bill was dispensed with.

Mr. KNUTSON. Mr. Chairman, may we have some understanding in regard to time?

The CHAIRMAN. The Chair may say that, under the rule, the time is equally divided.

Mr. DOUGHTON. Mr. Chairman, it is understood that the time will be equally divided between the gentleman from Minnesota [Mr. KNUTSON] and myself.

The CHAIRMAN. The gentleman from North Carolina is recognized.

Mr. DOUGHTON. Mr. Chairman, the bill under consideration represents another effort on the part of the Committee on Ways and Means to raise additional revenue to help meet the enormous expenditures made necessary by the war, and also along with other tax bills of recent years to make a substantial contribution toward controlling inflation.

While considering this legislation and before preparing the bill, our committee heard witnesses representative of almost every segment of our economic life. For 26 days, beginning with the Secretary of the Treasury, Hon. Henry Morgenthau, Jr., we also heard the views of the public, of governmental departments, our joint staff, the Treasury staff, and of labor and industry. These hearings covered about 2,800 pages of printed testimony. No two of those appearing before us seemed to agree as to the amount of revenue we should raise or the best means of providing it, nor as to the problem of inflation or the best method of dealing with it. Neither did they agree on how any of the other difficult problems confronting us should be solved. Almost all the witnesses said they realized the difficulty of our task, the necessity for additional revenue, and proclaimed their willingness to do their full part, at the same time saying that they could not reasonably carry any additional burdens, but any additional or increased taxes should be placed upon the

shoulders of other taxpayers. For more than 2½ months, in public hearings and in executive session, sometimes working at night, our committee engaged in an earnest effort to prepare the best tax bill possible. We endeavored to be guided by factual conditions rather than by theoretical opinions or philosophies. While we listened to the various witnesses appearing before our committee and heard the comments of all elements and factions, receiving many helpful suggestions, in the final analysis the bill is the result of the thought and arduous labors of our committee. It is not a Treasury bill, a joint staff bill, a C. I. O. bill, a chamber of commerce bill, or a National Association of Manufacturers' bill. It is a Ways and Means Committee bill, and for it we assume full and sole responsibility.

I am happy to say that during the entire proceedings and consideration of this legislation there was not the slightest evidence of partisanship in our committee. The minority members cooperated wholeheartedly in the preparation and formulation of the bill and worked as faithfully, as earnestly, as conscientiously, and as helpfully as the majority members. The minority, therefore, has equal responsibility and is entitled to equal commendation for this legislation.

We were thoroughly cognizant of the enormous deficits which our war expenditures are creating in our governmental finances. We were also fully aware of the margin between the available supply of consumer goods and the present purchasing power of our people under increased wartime income. We were fully aware also of the great need of additional revenue to meet as far as possible the necessary heavy expenditures of our Government. There has been no inclination to avoid any of the facts and factors that were to be considered, but, on the contrary, we endeavored to meet them squarely and realistically.

The primary purpose in any tax legislation is and always should be to procure, as far as reasonable, revenue necessary to meet the financial obligations of the Government, and also to see that the tax burden is spread as fairly and equitably as is consistently possible.

That revenue measures have secondary and incidental aspects cannot be doubted, as we are all conscious of the economic and social implications of every tax bill, and these considerations were given full attention by our committee. However, such considerations should not overshadow the revenue aspect of a tax bill.

If our purpose is to meet the financial needs of our Government, let us impose taxes and increase taxes for this purpose. Of course, this policy necessarily helps control inflation. The place to attack inflation effectively, however, in my opinion, is to courageously attack it directly and at its source—attack the cause—prices, wages, and retrenchment in governmental expenditures.

In testing to see whether our bill is adequate as a revenue-raising measure, we cannot confine ourselves to this bill alone but must examine also the entire tax structure and burden as amended by

this bill. In 1939 our total Federal receipts amounted to approximately \$5,700,000,000. Since that time we have enacted the First and Second Revenue Acts of 1940, the Revenue Act of 1941 and the Revenue Act of 1942.

Under the pay-as-you-go legislation which was passed the first part of this year, the revenues were also increased for the fiscal year 1944 by advancing the date of payment of individual income tax on rising incomes and requiring partial payment of the uncanceled portion of the 1942 tax in 1944 and 1945. These acts for a full year of operation will produce approximately \$41,340,000,000. With the \$2,140,000,000, this bill will produce total revenues for a full year of approximately \$43,000,000,000. Thus, in 4 years it is estimated that the Federal tax burden of the American people will have been raised by about 700 percent, while the national income payments have increased from about \$71,000,000,000 in 1939 to about \$143,000,000,000 in 1943, or approximately 100 percent. The revenue collected by our Government since July 1 of this year—that is, for little over one-third of the current fiscal year—exceeds that of the entire year of highest receipts during the period of World War No. 1 by \$9,000,000,000.

Mr. KNUTSON. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to my distinguished colleague from Minnesota. He is a very able member of our committee.

Mr. KNUTSON. I extend my congratulations to the residents of North Carolina.

At this point it might be pertinent to call to the attention of the House that the per capita taxes in the United States now exceed those levied in any other country.

Mr. DOUGHTON. I am just coming to that point, if the gentleman will pardon me.

As our revenue needs have increased, we have increased our tax burden accordingly. We certainly have not lagged behind other nations in this respect. On the contrary, our per capita tax burden now exceeds that of other countries as is shown by the following figures prepared by the Treasury Department:

1943-44	
(Total includes State and local taxes)	
United States.....	\$357
United Kingdom.....	291
Canada.....	261

Our expenditures are also greatly in excess of those of other nations, not only in total amounts but also per capita. The estimate of British expenditures for the present year totals about \$23,000,000,000, whereas our year's expenditures are expected to reach ninety to ninety-five billion dollars. A comparison of American and British expenditures up to the end of the current financial year indicates that we will have spent \$200,000,000,000 for war purposes as against Britain's \$69,000,000,000.

The American people bear the heaviest tax load of any country in the world. It is more than 3 times the tax bill of Great Britain, which is around \$11,000,000,000 and 14 times the tax bill of Can-

ada. In spite of this enormous burden under which our people are already groaning, the Treasury in its appearances before our committee requested additional revenue of \$11,500,000,000, principally upon the assumption that such a drain on the pocketbooks of the American people would control inflation. In my opinion, the dire effects of such an additional tax load would more than offset any good which could be accomplished toward stopping inflation. If such a program were put into effect, it would immediately create demands for higher wages and greater profits to pay the tax bill, the natural consequences of which would be to stimulate rather than to retard inflation. It would also lay a crushing, and I believe unbearable, burden on the fixed income or white-collar group whose incomes not only have not been increased, but have actually been reduced by the rise in the cost of living. In my opinion, such a crushing burden of taxation would be far worse than any real or fancied danger of inflation now facing our country.

Mr. KNUTSON. In connection with what the able chairman of the committee has stated, it may be well at this point to call attention to the fact that at the beginning of the next fiscal year, at the rate we are now spending, the national debt of the American people will be several times the total debt of all the other countries in the world.

Mr. GILCHRIST. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Iowa.

Mr. GILCHRIST. May I ask the gentleman if the figures he gave include State and municipal taxation.

Mr. DOUGHTON. Yes; they are included in the \$357 per capita tax burden, but in addition to the \$43,500,000,000 Federal tax we have State and local taxes of \$10,000,000,000. It makes a total tax load to the American people, a load they are carrying today, of more than \$53,000,000,000 per annum.

Mr. CARTER. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from California.

Mr. CARTER. The figures the gentleman is giving are very interesting and instructive and I am sure the members of the committee are very glad to receive them. I was wondering whether the gentleman has among the figures the per capita national bonded indebtedness as compared with Great Britain?

Mr. DOUGHTON. I am sorry, I cannot give the gentleman that figure, but I will include it in my remarks and insert it in the RECORD.

Mr. CARTER. I will be very happy to receive it.

Mr. DOUGHTON. The information requested is as follows:

Per capita gross debit of central governments,
Mar. 31, 1943

United States.....	\$884
Great Britain.....	1,411

¹ By Sept. 30, 1943, this figure had risen to nearly \$1,200; more recent figures for Great Britain are not available.

By now it should be abundantly clear to everyone that taxation alone is not

adequate to control inflation. The place where inflation can be most effectively dealt with is at the source where it arises. Dip as you may into the flowing stream through taxation, you cannot overcome the flood caused by excessive income flowing into the stream. Taxation can and must perform its portion of the anti-inflation program, but once the money has been paid out in excessive wages or excessive prices, or both, taxation simply cannot completely rectify the damage.

While the Treasury attempted to justify its program as a check on inflation, the program itself was patently ineffectual in this respect. In the record of the hearings, on page 21, you will find a table prepared by the Treasury Department which indicates that of the \$157,000,000,000 of income payments estimated for the calendar year of 1944, individuals having net incomes of under \$3,000 annually will receive \$96,000,000,000, or 61 percent of the total. Yet of the \$6,600,000,000 additional revenue to be derived from the individual income tax under the Treasury's plan, only \$1,700,000,000, or one-quarter of the total, would come from these individuals with incomes of less than \$3,000 annually. If the primary purpose of this revenue legislation had been to combat inflation, it would have been necessary to levy heavy additional income taxes on those persons having incomes of \$3,000 per year or less, because it is in this group that 61 percent of the increased national income lies. But that was not our primary purpose. The Treasury program would have eliminated 9,000,000 income taxpayers and would have secured a very small part of the proposed increased revenue from those who have by far the greater part of the increased income. Thus it seems perfectly clear that the Treasury program would not have curbed inflation to any substantial degree, but on the contrary would have increased very substantially the inflationary dangers insofar as they relate to persons in the lower income tax brackets.

There has been much discussion of the so-called inflationary gap, which is generally defined to mean the difference between the sums of money available for expenditure for consumer goods and the amounts of consumer goods available to supply the demand. I wish to comment briefly on this inflationary gap. No two experts seem to agree either on the amount of this gap or the best way to close it. The Treasury has estimated the excess purchasing power to be \$25,000,000,000 after taking into account \$21,000,000,000 in individual taxes and \$17,000,000,000 used to purchased War bonds. Others claim it is still greater, and there are still others who contend that there is no substantial gap at all. As I said before, our considerations of this bill were in the light of factual and practical conditions confronting us and not controlled by theories or abstractions. We tried to be realistic rather than theoretical.

This inflationary gap seems to me to be a statistical abstraction and not capable of any reasonable ascertainment. In any case, we have through taxation

gone as far as I believe feasible in the light of all of the circumstances. Certainly, the tax portion of the anti-inflation program is far ahead of the wage and price portion of this program. Moreover, those who express the greatest alarm at the inflation bugaboo or danger do not, in my opinion, fully take into account the public psychology. While there are undoubtedly many cases of reckless spending by persons with substantially increased incomes, on the whole our people are putting a very substantial portion of their earnings into War bonds and savings stamps, into the payment of debts, the retirement of mortgages and the making of installment payments on the purchase of homes, insurance, and other savings or purchase programs. The great mass of our people remember all too vividly the lean years following the collapse in 1929 and the privation they were forced to endure during the depression years. These recollections, at least up to the present time, have brought about a considerable degree of caution with respect to reckless spendings.

Certainly, it must be recognized that we cannot absorb all of these "dangerous dollars" by taxation, especially under a program such as that proposed which either exempted completely or drastically reduced the existing taxes upon millions of our citizens having substantially increased amounts of such "dangerous dollars."

In an effort to produce every dollar of revenue which our economy can bear and to avoid passing on to future taxpayers, many of whom will be our returning soldiers, our committee in the last 4 years has raised taxes to an unprecedented height. In this connection, we have been fully conscious of our obligation to help combat inflation and have done so through taxation to the top limit we now deem advisable.

The more important and direct checks in dealing with inflation, however, prices and wages, have not been correspondingly held in line. Until greater effort to remedy this situation is made, the only effect of levying additional taxes will be to place further hardships and unbearable burdens upon the fixed income group, the so-called white-collar group and others who not only have not received increased income out of the war but who have actually had their income reduced and their expenditures increased. Confronted with this very real and practical situation, our committee did not deem it wise or safe to make any considerable increases in individual income taxes.

Mr. KNUTSON. Will the gentleman yield?

Mr. DOUGHTON. I yield.

Mr. KNUTSON. At this point I think it is fair to point out we are rapidly approaching the point of diminishing returns on the number of tax sources.

Mr. DOUGHTON. That is the judgment of a great many people and a great many economists. You cannot impose too heavy a tax burden. When you destroy the initiative and break the morale of the taxpayers it is like overloading a

good team and, being a farmer, I have seen many good teams ruined by being overloaded. You can place an unreasonable tax burden on the American people which would have the same effect so far as the morale of the American people is concerned, as overloading a good team. You discourage them. How? You remove initiative and break their morale. Nothing could be worse, especially in time of war than breaking their morale, because the American people are willing, they are patriotic, and they are anxious to pay now, rather than pass on to future generations and future taxpayers, every dollar they can reasonably pay on an economically sound basis.

Mr. O'CONNOR. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman.

Mr. O'CONNOR. I just want to make this observation in support of what the gentleman has said, whom I wish to compliment for his splendid statement. In my country people are getting very much discouraged over the high levies on incomes and we are approaching the time now when we had better be pretty careful or we will be destroying business and the incentive to produce an income. We should get taxes for a basis of ability to pay and encourage the people who will pay these taxes, as far as we can. We should proceed pretty cautiously, as we are in a precarious position.

Mr. DOUGHTON. The slight increases which have been made are a result of the effort to integrate the Victory tax with the individual income tax. There has been much just complaint about the complications of our income-tax laws, particularly the individual income tax. Under the existing law, a taxpayer is required to compute his tax on three different bases, namely, the normal tax base, the surtax base, and the Victory tax base. A different set of exemptions is required in the case of the Victory tax from that required in the case of the normal and surtax. The earned-income credit further complicated our tax law by requiring a different base for normal tax than for surtax. Since prior laws have extended our individual tax to a great many more taxpayers, it is very important that every effort be made to make the tax simple and easy for the taxpayer to understand and be able to prepare his return. We have made every effort to simplify the computation of the individual income tax. In a bill, which recently passed the House, we simplified the return forms for 1943, and by requiring the Victory tax credits to be taken currently, we succeeded in eliminating several items from the return form. In this bill we have further simplified the return through the elimination of the Victory tax and the repeal of the earned income credit. We hope to accomplish still further simplification in the administrative and loop-hole bill of next year.

In the interest of simplification, the committee adopted the following plan for the purposes of the individual income tax:

First. The Victory tax was repealed.

Second. The normal tax was increased from 6 to 10 percent to replace the Victory tax.

Third. The present personal exemptions and credit for dependents were retained.

Fourth. The surtax schedule of existing law was adopted with certain adjustments to bring the surtax in line with the elimination of the Victory tax.

Fifth. The earned income credit was repealed.

Sixth. Married persons filing separate returns are each required to take a single person's exemption.

Seventh. A minimum tax of 3 percent of the net income in excess of a special personal exemption of \$500 for a single person, \$700 for married persons, and \$100 as a credit for each dependent is provided.

The effect of the above changes will be to permit the average taxpayer to compute his tax both for normal and surtax purposes on one net income base and pay that tax to the Government. The troublesome base of the Victory tax and the complications resulting from the earned income credit are eliminated.

Taxpayers whose income tax is less than the minimum tax will be required to pay the minimum tax. The minimum tax was necessary to continue in the tax-paying class approximately 11,000,000 taxpayers who are now subject to the Victory tax but not to the regular income tax. The present 20 percent withholding rate is retained.

The bill also made two other changes in the income-tax law. First, it denied the taxpayer deductions for Federal excise taxes paid in computing net income. In general, this will apply to the admissions tax, the transportation tax, and the telephone tax. Most individual taxpayers do not keep records of these taxes and our committee was of the opinion that the advantage of making administration much easier and of securing additional revenue from this source would more than offset any increased burden on the taxpayers.

A special deduction of \$500 was allowed in computing the gross income of a blind person. It was pointed out that blind persons have additional expenses that are not incurred by ordinary persons, such as for the employment of attendants, and that some relief should be granted in the form of an additional exemption to take care of this added burden.

With respect to the corporate taxes, the bill makes several important changes. The bill does not contain any increase in the corporate normal and surtax rate. It was thought that an excessively high tax on the normal earnings of corporations would have a serious effect in retarding normal dividends and seriously endanger many corporations faced with declining incomes caused by the war. Over 30 percent of the dividends of corporations are received by individuals with incomes of less than \$5,000 and, in many cases, these dividends represent the sole income upon which the individual supports himself and his family. In addition, many of our religious, charitable, or educational institutions would

not be able to survive if their dividend income were greatly reduced through an increased corporate income tax. Therefore, the bill provides that the excess profits tax be increased and not the normal and surtax. The excess profits tax rate was increased from 90 to 95 percent. Information was developed before our committee that many corporations using the invested capital credit were not paying excess profits taxes. This is due to the high return on their invested capital which the present law allows and to the rather liberal carry-over and carry-back provisions of existing law.

One of the main difficulties of the excess profits tax has been its burden on small companies. In order to remedy this situation, the bill provides that the specific exemption of \$5,000 now allowed for excess profits tax purposes be increased to \$10,000.

There was an obvious loophole called to the attention of the committee which we felt should not wait until the next revenue bill for action. That is, the avoidance of income and excess profits tax through the purchase of defunct corporations. The committee believed that this loophole should be plugged immediately and that the provisions plugging such loophole should be made retroactive to all taxable years beginning after December 31, 1939.

Our committee also received considerable complaint about many organizations which are now exempt from income taxes. It is very difficult to secure information as to these exempt organizations. The bill provides that exempt organizations must file annual returns of income unless they are religious corporations or certain types of educational or charitable corporations. It is believed by this means we will be able to secure information to determine whether or not such organizations are escaping their fair share of the tax burden.

With respect to excises, the revenue was increased by \$1,202,000,000. The rate on distilled spirits was increased from \$6 a gallon to \$9 a gallon; on beer, from \$7 to \$8 a barrel; and there were also slight increases in the wine tax. Other articles subject to increased taxes were electric light bulbs, jewelry, furs, luggage, toilet preparations, telephones, transportation taxes, admission taxes, cabarets, club dues, bowling alleys, and billiard and pool tables.

A tax on pari-mutuel betting at the rate of 5 percent was also adopted by your committee and the 3-percent tax on the transportation of property was retained and extended to parcel post. The increases on present excises, and the new taxes, are temporary and will expire after the war.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from New York.

Mr. REED of New York. Mr. Chairman, I am sorry to interrupt the gentleman because he is making an excellent presentation, and I congratulate him upon it, but this question has been asked by a number of Members and I assume it is of some importance to know the answer in replying to the letters of in-

quiry. The question has been asked as to when the provisions of the tax bill will take effect. The gentleman will note that the different provisions take effect at different times. I have here a little memorandum which shows the effective date of each provision.

Mr. DOUGHTON. In general, this bill, if enacted into law, will become effective December 31, 1943.

Mr. REED of New York. But the different provisions in the bill become effective on different dates. I have the dates here if the gentleman cares to insert them in his remarks.

Mr. DOUGHTON. If there is any question about it I will insert that at this point in the Record.

Mr. Chairman, the question has been asked as to when the provisions of the tax bill will take effect.

In general, the provisions relating to the individual income tax and to corporation taxes become effective January 1, 1944. In other words, they are not to be retroactive.

The excise tax increases will become effective on the first day of the first month which begins more than 10 days after the date of enactment of the bill. Thus, if the bill becomes law by December 15, the excise taxes would be effective January 1. If, however, the bill is not signed until December 26, the excises would not become effective until February 1.

The postal increases will take effect on the 30th day after the date of enactment.

The changes in the renegotiation law will be effective in the main as to fiscal years ending after June 30, 1943, except that the court-review provisions are made retroactive to cover all past renegotiations.

One of the most troublesome features with which our committee had to deal was that relating to renegotiation of contracts. A subcommittee was appointed to prepare a report on this matter and I may say that they performed an excellent job, working with tireless energy.

It was disclosed in our hearings that many contractors had just grounds for complaining about the way in which the present renegotiation law is administered. We have gone a long way in this bill toward removing many of the grounds for the complaints which were directed against the present procedure, by placing the Government and the war contractor upon a more nearly equal footing. The chairman of the subcommittee, the gentleman from Oklahoma [Mr. DISNEY] will discuss in detail the renegotiation provisions of the bill.

Mr. McCORMACK. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to my distinguished friend from Massachusetts.

Mr. McCORMACK. Due to the fact that my distinguished friend the chairman of the committee has yielded now, I may say that I talked with the gentleman a few days ago about a committee amendment. I realized the situation and difficulty of considering too many committee amendments, so I agreed not to have the matter pressed at this time but

I should like to get my friend's reaction to it.

Under the present law members of the armed forces are allowed a special deduction from gross income of so much of their compensation for active service in the present war as does not exceed \$1,500 in any year. My suggestion is—and I hope that the Senate puts it in the bill and that the House conferees will accept it—that similar relief be granted with respect to so much of the earned income received by them during the period of 1 year after their discharge from the service as does not exceed \$1,500. Such an amendment would afford substantial relief to the servicemen and I understand there would be no immediate loss of revenue for any loss would be offset by the economic advantages resulting from such a policy of post-war rehabilitation. I wonder if my distinguished friend would care to make an observation at this time on such an amendment if it is adopted by the Senate?

Mr. DOUGHTON. In response to the statement of the distinguished majority leader I may say that on the face of the proposition and what study I have had time to give it, it is my judgment that it would be a very worthy change to make in our present law. I would, of course, want to take the matter to our committee for its consideration. I will say to the distinguished majority leader that while the bill is in the Senate and before it goes to conference I will attempt to call the committee together and take up this amendment and if it is favorably considered by the committee we will ask the Finance Committee of the Senate to incorporate it as an amendment to our bill.

Mr. McCORMACK. Mr. Chairman, I thank the gentleman.

Mr. WHITE. Will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Idaho.

Mr. WHITE. I want to refer to title IV, the postal rates.

Mr. DOUGHTON. I will come to that a little later.

Mr. WHITE. I am waiting patiently for that.

Mr. DOUGHTON. I am going to take that up later.

Mr. WHITE. Before the gentleman concludes, I want to ask a question for information.

Mr. DOUGHTON. All right.

Mr. WHITE. My question goes to the exemptions on the increase in postage on religious publications. I note that you have made an increase, doubled the third-class rate, but you have not touched the second-class rate. I am wondering if it would not be good policy to exempt religious publications under the third-class rate from the increase. There is no provision in the law now covering that.

Mr. DOUGHTON. If they are not so exempted, I see no reason why the third-class increase should apply to religious publications.

Mr. WHITE. We cannot amend this bill, but the provisions of the bill we are now considering will double the postage rate on religious publications.

Mr. DOUGHTON. It is too late to think about that now. We cannot now consider it thoroughly enough to offer it as a committee amendment, but such an amendment may be offered in the Senate and if it appeals to our conferees we can adopt it then.

Mr. WHITE. The distinguished chairman of the Ways and Means Committee would be in favor of exempting religious publications?

Mr. DOUGHTON. As far as I understand it now, yes. Of course, there may be technical reasons why such an exemption is not feasible.

Mr. WHITE. This is just a matter of postal rates. You have extended it to second-class rates and I cannot see any reason for not extending it to third-class rates.

Mr. DOUGHTON. Perhaps the gentleman is correct.

Mr. WHITE. The gentleman did not go into the stamp tax at all, the putting of a tax on money orders for instance?

Mr. DOUGHTON. We talked about everything.

Mr. WHITE. That was done in the last war when we had much less expenditure than we have now.

Mr. DOUGHTON. Almost everything in the tax bill that could be considered—that had any relation or bearing on tax matters—was considered and discussed in our committee. Of course, this bill is not a bill that any one person would have written. It is not like the gentleman from Tennessee [Mr. COOPER] would have written it, or my distinguished friend the gentleman from Arkansas [Mr. MILLS], or the gentleman from Virginia [Mr. ROBERTSON], or the distinguished gentlemen from Minnesota and New York [Mr. KNOTSON and Mr. REED]. It is not exactly like any of us would have written it, but it is a bill we can go along with, it is the only bill that could command the majority of the votes of the committee and it takes a majority of the committee to report any bill. If I were writing the bill, perhaps I would have written it a little differently, but there is nothing in this bill that I cannot consistently and willingly support.

We come now to the postage rates. Of course, we did not have time to study the entire postal schedule and we would not have changed any rates in the postal schedule had it not been for the need for additional revenue. Everybody knows that the rates on postage—first-, second-, and third-class mail matter, and all classes of mail matter—have been out of adjustment for a long time. Back in 1917, my distinguished predecessor, Hon. Claude Kitchin—no abler or greater man ever served in this body or ever stood in the well of this House—had something to say on this matter. I have also heard the Honorable Joe Cannon, who was a great debater also. On one occasion he said as far as he knew Claude Kitchin had no equal as a debater. He called the attention of the country to the fact at that time, over 20 years ago, these postal rates ought to be adjusted. How much was it he said we were losing at that time?

Mr. COOPER. It was 26 years ago. That was in 1917.

Mr. DOUGHTON. Yes; 26 years ago.

Mr. COOPER. His speech gave comprehensive statements as to the amount that was lost. It showed that some of the large magazines and periodicals of the country were receiving subsidies ranging from a quarter of a million to a half-million dollars, some of them up as high as four or five million dollars a year.

Mr. DOUGHTON. Now about this third-class mail matter, there seems to be some disturbance about that. The third-class mail matter has not paid its way, neither has the second-class, for years, but there is a difference between second- and third-class mail matter. The second-class mail matter is mostly all news and material of educational value, while the third-class matter is more of an advertising nature, books and catalogs. In the last 15 years third-class mail matter has enjoyed a subsidy at the expense of the taxpayers of the United States of at least \$250,000,000. For 1942 it was about \$24,000,000.

We have increased the taxes on transportation of persons, on telephones and telegraph messages, on freight shipments of food and farm materials, and of the necessities of life, and why should not those enjoying the third-class mailing privilege be called on to pay a little additional for revenue purposes? They should not complain during this war emergency.

Mr. WHITE. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Idaho.

Mr. WHITE. I approve the raising of the third-class mail rate, but the only thing I want exempted is religious publications. I approve of what the committee has done.

Mr. DOUGHTON. That matter will undoubtedly be given consideration before the bill becomes law.

Mr. WHITE. If they have an exemption under second-class it is fair that they should have an exemption under third-class.

Mr. DOUGHTON. Taxes are not very popular and we always get into trouble whenever we increase a tax or impose a new tax. There is always somebody saying they cannot stand an increase or cannot pay the additional tax. You cannot win a war, you cannot finance the Government, you cannot carry on the economy of the country and let every taxpayer write his own tax bill. That cannot be done. But we do give as careful consideration as we can to all the witnesses that come before us with respect to increased or new taxes.

Mr. HARTLEY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from New Jersey.

Mr. HARTLEY. In view of the fact that the gentleman's committee has taken over the writing of postal rates—

Mr. DOUGHTON. We have not done that; I beg the gentleman's pardon.

Mr. HARTLEY. In view of the fact that you have gone into third-class rates, which pay 75 percent of their freight, why did you not go into the question of revising the second-class rates, which pay only 25 percent?

Mr. DOUGHTON. The committee did not consider that third-class mail matter was of equal importance, of equal value to the American people, and of equal dignity with second-class mail matter. It is mostly advertisements. You get a publication that pays third-class postage and nine-tenths of it is pure advertising. I think that class of mail matter can at this time pay something.

Mr. COOPER. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Tennessee.

Mr. COOPER. I think it might be appropriate for the chairman to point out in reply to the inquiry that has just been presented as to why the committee saw fit to make at least some adjustment in these postage rate matters that there is not any desire to invade the prerogatives of the great Committee on the Post Office and Post Roads, but the fact remains that for 26 years this situation has existed and nothing has been done about it by that great and distinguished committee. It was thought that a start should be made by somebody and not let the thing run indefinitely in the future.

Mr. DOUGHTON. In the consideration of the tax bill of 1942 the question came up as to why we should not do something about adjusting these postage rates to secure additional revenue. The

Post Office Department stated they were studying the matter, but no report has been rendered up to the present time.

Mr. HARTLEY. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I will yield after I get through with my speech. I am trying to complete it now and must decline to yield.

I am sorry I have not been able to go more into detail in the explanation of this bill. Quite a number of the members of the committee will follow me, and I am sure that what I lack they will gladly make up, and answer questions. I have taken enough time.

Mr. JENSEN. Mr. Chairman, will the gentleman yield?

Mr. DOUGHTON. I yield to the gentleman from Iowa.

Mr. JENSEN. The gentleman said that much of the third-class mail is not necessary and important.

Mr. DOUGHTON. The gentleman says it is?

Mr. JENSEN. Yes. I have a number of nurseries in my district who sell seed and nursery goods.

Mr. DOUGHTON. If I could not yield for a question, I cannot yield for a speech. We have taken action. If the gentleman will go before the Senate Finance Committee and convince that body that we have made a mistake, as we often do—for we are not infallible—

the gentleman will have his opportunity there. If the Senate decides we have made a mistake, our conferees will at least be open-minded and fair-minded. If we have made a mistake, we will be as eager as can be to rectify it.

Mr. JENSEN. I thank the gentleman.

Mr. DOUGHTON. In conclusion I wish to state while your committee recognizes the desirability of keeping the public debt at a minimum and paying as much of the cost of the war as is consistently possible out of current revenues, it is also keenly aware of the fact that too heavy a tax burden is as great a danger to the Nation's economy as is too large a public debt. Certainly we should not pass on to future taxpayers, many of whom will be our returning soldiers, taxes that we ourselves should pay, but neither should we pass on to them a business structure so weakened by heavy taxes that it will be unable to carry on in the post-war period.

When this war has been won, and God grant it be at an early date, we want the business and industry of the Nation in a condition which will enable it to offer the greatest measure of opportunity and employment to those who are now offering life's fullest measure of devotion to our country on the far-away battlefields of the world.

I am inserting at this point a table of excise taxes and postage rates:

Excises and postage rates

Article or service	Present tax base and rate	Proposed tax base and rate	Estimated additional revenue under proposed tax base and rate ¹
1. Distilled spirits.....	\$6 per gallon (draw-back of \$3.75 per gallon on nonbeverage alcohol).	\$9 per gallon (draw-back of \$5 per gallon on nonbeverage alcohol).	\$370,000,000
2. Beer.....	\$7 per barrel.....	\$8 per barrel.....	70,000,000
3. Wine:			
Still:			
Under 14 percent.....	10 cents per gallon.....	15 cents per gallon.....	18,000,000
14 to 21 percent.....	40 cents per gallon.....	60 cents per gallon.....	
Over 21 percent.....	\$1 per gallon.....	\$2 per gallon.....	
Sparkling.....	10 cents per half pint.....	15 cents per half pint.....	20,000,000
Other.....	5 cents per half pint.....	10 cents per half pint.....	
4. Electric light bulbs and tubes.....	5 percent of manufacturers' sales price.....	25 percent of manufacturers' sales price.....	72,500,000
5. Jewelry.....	10 percent of retail price.....	20 percent of retail price.....	54,800,000
6. Fur and fur-trimmed articles.....	do.....	25 percent of retail price.....	53,400,000
7. Luggage, handbags, wallets, etc.....	10 percent of manufacturers' sales price on luggage only.....	do.....	51,400,000
8. Toilet preparations.....	10 percent of retail price.....	do.....	48,900,000
9. Telephone, telegraph, radio, etc.:			
Local telephone.....	10 percent of charge.....	15 percent of charge.....	48,800,000
Long-distance telephone.....	20 percent of charge.....	25 percent of charge.....	
Telegraph, radio, and cable.....	15 percent of charge (domestic).....	do.....	
Leased wires, etc.....	10 percent of charge (international).....	15 percent of charge.....	75,000,000
Wire and equipment service.....	15 percent of charge.....	20 percent of charge.....	
10. Transportation of persons.....	5 percent of charge for service.....	7 percent of charge for service.....	
11. Transportation of property.....	10 percent of charge.....	15 percent of charge.....	4,500,000
12. Admissions:			
General admissions.....	3 percent of amount paid; coal, 4 cents per short ton.....	Apply tax to fourth-class mail also.....	163,500,000
Leased boxes, etc.....	1 cent for each 10 cents or fraction thereof.....	2 cents for each 10 cents or fraction thereof.....	
13. Cabarets.....	11 percent of charge.....	20 percent of charge.....	
14. Club dues and initiation fees.....	5 percent of charge.....	30 percent of charge.....	91,300,000
15. Bowling alleys, billiard and pool tables.....	11 percent of charge.....	20 percent of charge.....	5,100,000
16. Pari-mutuel wagers.....	\$10 per alley.....	do.....	27,000,000
	\$10 per table.....	\$20 per table.....	
	None.....	5 percent of total wagers.....	
Total, excluding postage.....			27,500,000
17. Postage: ²			1,201,700,000
First class.....	2 cents per ounce, local delivery.....	3 cents per ounce.....	44,000,000
Air mail.....	8 cents per ounce.....	8 cents per ounce.....	11,000,000
Third class.....	1 and 1½ cents for each 2 ounces.....	2 and 3 cents for each 2 ounces.....	74,400,000
Money orders.....	6 to 22 cents per order, depending upon amount.....	10 to 37 cents.....	21,000,000
Registered mail.....	15 cents to \$1 per article.....	20 cents to \$1.35 per article.....	4,500,000
Insured mail.....	5 to 35 cents per article.....	10 to 70 cents per article.....	6,500,000
C. o. d. mail.....	12 cents to \$1.20 per article.....	24 cents to \$2.40 per article.....	5,400,000
Total postage.....			166,800,000
Grand total.....			1,368,500,000

¹ Estimates of additional revenue are for a full year of operation at levels of business estimated for calendar year 1944.

² Estimates are based upon the revenue figures cited in the cost ascertainment report for 1942, released by the Post Office Department.

Mr. KNUTSON. Mr. Chairman, I yield myself such time as I may require.

Mr. Chairman, the pending tax bill is but one of an endless procession of major revenue measures since 1933.

In this period the tax burden of the American people has been increased twentyfold—from two billions annually to a present total of more than forty billions.

The time has come when we have about reached the bottom of the barrel so far as the possibility of securing additional revenues is concerned. There is a limit to the people's ability to pay taxes, even in time of war. During the past 4 years they have had to absorb particularly drastic increases to meet the staggering war costs, and they have not had time to adjust themselves to one increase before another even greater one has been piled on. Now the administration wants to add ten and one-half billions more, mostly by sharp increases in the already burdensome personal income tax.

When the administration's tax program was proposed early in October, the Republican members of the Ways and Means Committee took a strong stand in opposition and assured the people that, so far as we were concerned, there would be no increase in the personal income tax or in the tax on the normal earnings of business. Having unanimously joined in defeating the administration's program in committee, we have lived up to that promise. The bill which has been reported by the committee raises but one-fifth of the amount requested by the administration, and most of this sum will come from increased excise levies on luxury and semiluxury items.

From now on the motto promulgated by the great spender, Harry Hopkins, "tax and tax, spend and spend, elect and elect," is out. The people very decisively came to this decision in November 1942 and again on November 2 of this year. We of the Republican minority will do all in our power to erase it completely from the Nation's escutcheon. We have already given notice that, so far as we are concerned, we will not give consideration to the imposition of additional taxes upon the people until the administration has first eliminated all waste and extravagance in Government spending and then only if it be absolutely necessary.

There is an old saying that "chickens come home to roost," and that is surely true so far as it applies to the administration's wasteful spending. For years the average man has been told that he need have no worry about what amount was being spent by the Government in Washington since the other fellow would be taxed to pay the bill. Now he knows that this was but one of many deceptions on the part of the administration, and in this connection, Mr. Taxpayer, who is the forgotten man under the present administration, is recalling the dulcet words of a certain candidate for President in 1932, who said:

Taxes are paid in the sweat of every man who labors.

Even Santa Claus will in time pall on the people if he has nothing but cream puffs and marshmallows to offer.

The people, straining under the present heavy tax burden, are beginning more and more to realize that there is no such thing as something for nothing. Somebody must pay, and it is always the consumer. He pays both in visible taxes and through "hidden" levies.

In the consideration of the pending bill the committee gave careful study not only to the probable effect of increased taxes upon the Nation's present economy but upon the future as well.

Chief Justice Marshall's dictum that "the power to tax is the power to destroy" is no less true today than when uttered during the early days of the Republic. The Republican minority on the Ways and Means Committee believe that to increase taxes by ten and one-half billions as proposed by the administration would be a destructive act. In our opinion, this additional burden would liquidate the great middle class, which is the bulwark of the Nation. It would threaten the future solvency of all business, imperil savings, and jeopardize the post-war continuance of private enterprise. Moreover, it would destroy the essence of the American way of life, which our armed forces are now heroically battling to maintain and preserve.

We Republicans are determined to preserve and encourage free enterprise and opportunity in America, not destroy them by excessive taxation. When the millions of men in the armed forces come back from the far-flung battle fronts we want them to find:

First. That jobs at good wages are open to them.

Second. That the door of opportunity has not been closed in their absence.

Third. That wasteful spending has been stamped out.

Fourth. That the American way of life has been preserved.

If America is to remain a land of opportunity, we must put a stop to the loose fiscal policies of the present administration. Its extravagant and wasteful peacetime spendings have been succeeded by equally reckless expenditures for war. Our Nation is today spending more for military purposes than the United Kingdom, Russia, Germany, and Japan combined. Various congressional inquiries into war spendings have disclosed that money is being squandered on every hand, not only for military supplies far in excess of needs, but for items having no direct connection with the war effort. The action of the War Department in turning back to the Treasury some thirteen billions of its appropriations shows that the present \$357,000,000,000 war program is far in excess of needs. No doubt other service departments could make similar refunds without in any way impairing the war effort. There is no doubt in my mind but what an investigation of lend-lease allotments to many nonbelligerent foreign countries, particularly in South and Central America, would disclose that many billions are being poured out for such non-

military purposes as the construction of an agricultural college in Costa Rica, for example, road building, sanitation, and other unrelated projects. Our people want this sort of spending stopped, and stopped now.

Time has shown that we can no longer safely delegate, without supervision, the spending of the taxpayer's hard-earned money to individuals in the executive branch who labor under the delusion that the money the Government pays out is the product of printing presses, when any schoolboy knows that every cent the Government expends must at one time or another, in one form or another, be wrung from the people in taxes.

I shall not spend any time in justifying the committee's action in rejecting the Treasury's proposal for drastic increases in the personal income tax, other than to refer to the following table, which discloses that despite all the loose talk we have heard about the need for putting a limit on incomes in wartime, our existing tax laws have already brought about such a limitation. This table shows that no matter how much a man earns in 1944 and 1945, he cannot have more than \$24,000 left after taxes, and in fact he may wind up owing the Treasury even more than his total income for these 2 years. The table follows:

Existing income-tax burden for 1944 and 1945, including net Victory tax and one-half of unforgiven 1942 tax (assuming no change in net income)—Married person, no dependents

Net income before personal exemption	Income, net Victory, and one-half unforgiven tax ¹	Effective rate	Income remaining after tax
		Percent	
\$1,200.....	\$21.28	1.773	\$1,178.72
\$1,500.....	79.28	5.285	1,420.72
\$1,800.....	157.38	8.743	1,642.62
\$2,000.....	205.45	10.272	1,794.55
\$2,500.....	325.61	13.024	2,174.39
\$3,000.....	445.78	14.859	2,554.22
\$4,000.....	713.11	17.827	3,286.89
\$5,000.....	987.20	19.744	4,012.80
\$10,000.....	2,735.62	27.356	7,264.38
\$15,000.....	5,039.78	33.598	9,960.22
\$20,000.....	7,906.45	39.532	12,093.55
\$25,000.....	11,187.11	44.748	13,812.89
\$30,000.....	15,240.58	50.801	14,759.42
\$40,000.....	21,591.86	53.979	18,408.14
\$50,000.....	27,155.13	54.310	22,844.87
\$60,000.....	33,043.41	55.072	26,956.59
\$70,000.....	39,107.69	55.883	30,892.31
\$80,000.....	45,496.58	56.857	34,503.42
\$90,000.....	52,250.00	58.056	37,750.00
\$1,000,000.....	1,005,750.00	100.575	-5,750.00
\$2,000,000.....	2,015,750.00	100.787	-15,750.00
\$5,000,000.....	5,045,750.00	100.915	-45,750.00

¹ Net Victory tax computed on a gross income equal to ten-ninths of net income.

I call attention to incomes of \$750,000 and more. It will be noted that in these instances the tax collector takes all and then some. How is that for distributing the wealth?

Mr. REED of New York. Will the gentleman yield?

Mr. KNUTSON. I yield to my good friend.

Mr. REED of New York. As a matter of fact, there are several brackets where he will owe the Government more than he earns.

Mr. KNUTSON. Yes; I thank the gentleman. I am coming to that.

The poor chap who has an income of \$2,000,000—and I never expected to live to see the day I would commiserate with a man having an income of one or two million dollars, but, of course, I could not foresee the New Deal.

Getting back to the poor devil who has an income of \$2,000,000 in 1944 or 1945, he will not only have to pay in \$2,000,000, but he will have to pay \$15,750 on top of that.

Then we come to the hopeless bankrupt who has an income of \$5,000,000 in 1944 and 1945. He is going to pay \$45,750 in addition to the \$5,000,000. So what Roosevelt ought to do is pray for more millionaires to run through the wringer.

Mr. VOORHIS of California. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. VOORHIS of California. That comes about, does it not, because of the fact that taxpayers are required to pay 12½ percent of their 1942 income at the same time as they are paying current taxes?

Mr. KNUTSON. That is right. But I will say to the gentleman from California it hurts just as much.

Mr. VOORHIS of California. No doubt; but I think that ought to be made clear to the Committee.

Mr. KNUTSON. Yes; I was coming to that, too, as we say in committee.

Mr. CURTIS. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. CURTIS. Is this tax that is in excess of income considered an income tax? By what authority can your committee impose an income tax beyond income?

Mr. KNUTSON. Well, as the gentleman from California called attention to, in 1944 and 1945 we pay the full tax, plus 12½ percent, which is one-half of the 25 percent unabated portion of the 1942 tax.

Mr. CURTIS. Regardless of what you call it, it is all a tax imposed by this Government.

Mr. KNUTSON. Regardless of what you call it, it comes out of the taxpayer's pocket.

Mr. ROWE. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. ROWE. Has the gentleman determined what would be assessed against a million or two-million-dollar income in the absence of the 12½ percent? I think that, too, should be part of the record.

Mr. KNUTSON. The regular tax is \$900,000 on an income of \$1,000,000 and \$1,800,000 on an income of \$2,000,000.

Mr. GILCHRIST. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. GILCHRIST. Do the figures you have set forth include State taxes and municipal taxes?

Mr. KNUTSON. No; they just include what you owe your Uncle Samuel.

Mr. GILCHRIST. On top of all you have said, they will have to pay additional State and municipal taxes?

Mr. KNUTSON. Yes. It would be much cheaper for a millionaire to take the bankruptcy cure.

Mr. MICHENER. Will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. MICHENER. Will you insert in the Record the amount of income tax an individual with \$150,000 income for the coming year will be compelled to pay?

Mr. KNUTSON. He will have to pay \$127,155.13 if he is a married man with no dependents. I suppose the 13 cents is to show that he is out of luck.

Mr. MICHENER. Some newspaper in my district stated that a man with an income of \$150,000 would be compelled to pay about 90 percent, and that he would have but \$15,000 left on which to live.

Mr. KNUTSON. On \$150,000?

Mr. MICHENER. Yes.

Mr. KNUTSON. No. That might occur under the Treasury plan, which the committee rejected. It is all a part of the elaborate plan to distribute the wealth. They stole Huey Long's formula. They took that over as a part of his estate.

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to my friend. He is always so gracious to me when I appear before his committee, I want to keep my credit good.

Mr. O'CONNOR. I thank the gentleman for those remarks. It is very interesting to me to note that the \$5,000,000 income earner is going to pay more in the future than what his income amounts to. I am wondering how much the man whose income is \$5,000,000 will pay in the next year, and also how much of that \$5,000,000 he was forgiven by the Ruml plan when the Ruml plan was adopted.

Mr. KNUTSON. Well, I thought we had laid that old ghost away long ago.

Mr. O'CONNOR. But it will not stay hidden. It is like Banquo's ghost, it constantly springs up.

Mr. KNUTSON. I suppose it will keep bobbing up as long as it can be used as a political football.

Mr. O'CONNOR. No; I am not talking politics.

Mr. KNUTSON. Of course I would not accuse my good friend of playing politics.

Mr. O'CONNOR. Now, would the gentleman answer my question?

Mr. KNUTSON. Yes; I will answer the gentleman's question by asking one. Will the gentleman please tell the House what year we escaped paying any taxes?

Mr. O'CONNOR. Of course we never escape paying any taxes.

Mr. KNUTSON. Well, what is the difference whether the tax you pay this year is called the 1942 tax or the 1943 tax? As far as the Government is concerned, the Treasury will continue to collect on your salary, also on your successor's salary, year after year after year, just as long as the Republic endures.

Mr. O'CONNOR. I will tell you when the Government loses is when I do not earn anything. Then I am forgiven the tax which should have been paid when I was earning something, and that is

when the Government loses under the Ruml plan.

Mr. KNUTSON. Why, you pay every year that you earn something. That is the beauty of the pay-as-we-earn plan, that when you do not earn, when the people in their wisdom say, "Jim, we love you so much we want to keep you at home," then you do not have to pay any more. Or if you should die, Mrs. O'Connor will not have to sell the old family homestead in order to pay Uncle Sam last year's taxes.

Mr. O'CONNOR. Now, will you go back and answer the question I asked you?

Mr. KNUTSON. I have answered it, but if the gentleman does not understand it, I cannot help that.

Mr. DONDERO. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. DONDERO. The gentleman has described to the House what happens to a man with a salary of \$150,000. Will you return to what the average American receives, about three or four or five thousand and tell the House what his tax will be this coming year?

Mr. KNUTSON. Yes. I can do that. A married man with an income of \$2,500 will pay \$325.61 in 1944. A man with a \$5,000 income will pay \$987.20. On \$10,000 the tax will be \$2,735.62. Now, we are getting up into the affluent class.

Mr. DONDERO. Are those percentages an increase or decrease over what they were in 1942?

Mr. KNUTSON. They are an increase, since they include one-half the carry-over from the unabated 1942 liability.

Mr. DONDERO. About how much in percentage?

Mr. KNUTSON. This is the total tax burden.

Mr. CURTIS. Does that include the 12½ percent?

Mr. KNUTSON. Yes; that includes the 12½ percent. Do you want a comparison?

Mr. DONDERO. Yes; in percentage. The average taxpayer is interested to know how much more he is going to pay this year over 1942; that is, what percent more.

Mr. KNUTSON. On an income of \$2,000 he pays \$187.95 for 1943. That is for a married man. Under the committee bill he will pay only \$184 for 1944, a saving of \$3.95. This does not include the 12½ percent carry-over. Now we will take \$5,000. Under present law he pays \$893.95. Under the committee bill he pays \$928, plus the 12½ percent carry-over for 1944 and 1945.

Mr. DONDERO. What does he pay under present law?

Mr. KNUTSON. Eight hundred and ninety-three dollars and ninety-five cents on \$5,000; but all these details are in the majority report. While I had no part in preparing the majority report, it is a very useful document, and I suggest to the membership that they provide themselves with a copy and preserve it, because it is really a compendium of tax information that could very well be used as a textbook in the higher institutions of learning.

Mr. GORE. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. Certainly I will be glad to yield to the distinguished gentleman.

Mr. GORE. I did not quite get the gentleman's answer to the question propounded by the gentleman from Montana [Mr. O'CONNOR]. This taxpayer who is paying \$45,000 a year more than he earns had to earn how much this year in order to be obliged to pay \$45,000 more?

Mr. KNUTSON. \$5,000,000.

Mr. GORE. What part of that \$5,045,000 is taxes on the \$5,000,000 he earned last year?

Mr. KNUTSON. Last year he would have paid \$4,499,000.

Mr. GORE. I know, but what part of this \$5,045,000 is payment on his income of last year?

Mr. KNUTSON. \$546,000 is the carry-over, being one-half of the unabated \$1,093,500 liability.

Mr. GORE. Then he has earned \$10,000,000 and is paying \$5,045,000 taxes?

Mr. KNUTSON. No, out of the \$5,000,000 he earned last year he had to pay the tax for the previous year. If there is any windfall it is taxed in full and, of course, the estate and inheritance taxes will also prevent any tax avoidance.

Mr. ROWE. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield.

Mr. ROWE. I think one thing should go in the Record at this point. Whatever the forgiveness was under the Ruml plan it did not differentiate between individuals regardless of their station of earning.

Mr. KNUTSON. How is that?

Mr. ROWE. I say whatever forgiveness there may have been under the tax bill we passed to forgive part of the income tax it applied to every station regardless of what it was, did it not?

Mr. KNUTSON. It treats all taxpayers fairly. The pay-as-you-go plan did not forgive anything, it simply abated 75 percent of an assessment, which we transferred from the past year to the current year. Forgiving is when one is absolved from his sins and indiscretions as well as his debts. I hope to stay in Congress long enough so that the facts regarding the pay-as-you-go plan may percolate into the minds of all who are willing to see.

Mr. O'CONNOR. Mr. Chairman, will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Montana.

Mr. O'CONNOR. What I want to get at, following through the clarification question of the distinguished gentleman now in the chair—I feel that he sort of clarified the gentleman's answer to my question which was rather confused. What I want to get at is to clear up this point and who pays the \$5,045,000 in taxes is still to the good under the system we now have and under the Ruml plan is still to the good in the neighborhood of \$5,000,000.

Mr. KNUTSON. How does the gentleman figure that?

Mr. O'CONNOR. He had \$10,000,000 income for the 2 years and pays only \$5,045,000 in taxes.

Mr. KNUTSON. What year does he not pay a tax?

Mr. O'CONNOR. That is not the question.

Mr. KNUTSON. It certainly is. The Treasury is only interested in revenue, they are not interested in academic questions.

Mr. O'CONNOR. My question is whether he is not still \$5,000,000 to the good.

Mr. KNUTSON. No; of course he is not, because he will have paid just as much this year under the old plan as he would under the pay-as-you-earn plan; consequently the Treasury has not lost anything.

Mr. O'CONNOR. When the Treasury starts to lose is when the depression comes and income ceases; that is when the Treasury starts losing under the Ruml plan.

Mr. KNUTSON. The Treasury will lose nothing, but I suppose it will break the gentleman's heart to find that he is current when his income stops.

Mr. O'CONNOR. No; that still does not answer my question.

Mr. KNUTSON. Well, that is just what the gentleman is talking about. He appears to be resentful because we have fixed it so that when he stops having an income or when he died he would be even with the board.

Mr. O'CONNOR. No; but I was trying to protect the Treasury when we had the bill before us last year. When the depression comes, when we will no longer have income, we will still need taxes.

Mr. KNUTSON. Somebody will step into the gentleman's shoes and carry on, but I hope that will not be for a long, long time.

Mr. CURTIS. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Nebraska.

Mr. CURTIS. I think it should be borne in mind that if anyone gains under the so-called Ruml plan it is the small taxpayer. The large taxpayer's earnings will be taken care of by estate and inheritance taxes.

Mr. KNUTSON. Of course, whatever benefits accrue will accrue proportionately more to the small taxpayer than to the big taxpayer and that is the reason there was so much opposition to it. It was approached purely from a political angle.

Mr. MILLER of Connecticut. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Connecticut.

Mr. MILLER of Connecticut. This \$45,000 the gentleman has pointed out is the only forgiveness I have found in the Ruml plan. They pay \$45,000 more than they earn.

Mr. KNUTSON. Yes. I suppose some day they will consider operating on our tear ducts so we will not have anything to weep with.

Mr. MILLER of Connecticut. Under the Ruml plan he would have paid \$900,000.

Mr. KNUTSON. Yes. That is a very good point and I thank the gentleman. The gentleman's statement shows he has clear vision and good understanding.

Mr. MILLER of Connecticut. The gentleman from Minnesota should not worry about the fellow earning \$5,000,000.

Mr. ROWE. I think at this late day I have learned something about forgiveness.

Mr. KNUTSON. Do not use the word "forgiveness." Use the word "abatement."

Mr. ROWE. I think it is applicable here. The accrual of what we have given is what constitutes the surplus in income that is going to the Treasury.

Mr. WICKERSHAM. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Oklahoma.

Mr. WICKERSHAM. I realize it is desired to get all the revenue possible, but I figure in one instance they are going to lose some of this new tax. I refer to the little theaters because if one patron out of five fails to go you lose as much as you gain. It seems to me that in the smaller theaters they are not going in for luxuries, they are going in for education, and you will destroy the taxes which you intend to try to get. It seems to me that the theater patrons who pay taxes, if they are excessive, will not go and you will destroy not only the privilege of going to the theater, but you will also destroy the theaters in the smaller towns.

Mr. KNUTSON. The gentleman from Oklahoma is absolutely right. His statement shows he is a man of discernment. I expressed similar views before the committee in executive session.

Mr. WICKERSHAM. I think the gentleman from Minnesota was correct.

Mr. KNUTSON. Absolutely; but there are those on the committee who could not see it.

Mr. MAHON. Will the gentleman yield?

Mr. KNUTSON. I yield to the gentleman from Texas.

Mr. MAHON. The report makes considerable reference to a comparison of the income, or, rather, the expenditures for the war effort by the people in Canada and the United Kingdom and the people in the United States. It is pointed out that for war purposes the United Kingdom will expend about \$23,000,000,000 in 1944, and Canada will expend about \$5,500,000,000 in 1944.

Mr. KNUTSON. Yes.

Mr. MAHON. A much smaller expenditure relatively speaking than our own expenditure. Can the gentleman tell us whether or not the national income and wages have skyrocketed in Canada and in the United Kingdom in the last few years as they have in the United States?

Mr. KNUTSON. I have no late information, but, as I recall, when we had the 1943 revenue bill before the committee it was testified that they had been able to hold the line, as the phrase is now used, much better in Canada and in the United Kingdom than we have, because

they put a ceiling on wages as well as on all commodities.

Mr. MAHON. Then per dollar expended in Canada and in the United Kingdom they may have gotten more in production?

Mr. KNUTSON. Possibly so.

Mr. DONDERO. Will the gentleman yield?

Mr. KNUTSON. Briefly.

Mr. DONDERO. Does the bill set a floor to the price of admission to theaters below which there is no tax or the tax increase does not apply?

Mr. KNUTSON. No. The tax is now 1 cent for each 10 cents or fraction thereof. The bill fixes the rate at 2 cents for each 10 cents—just double.

Mr. DONDERO. That applies on all admissions, whether it is 10 cents or 50 cents?

Mr. KNUTSON. Yes, that is right.

Mr. DONDERO. There has been some opposition voiced to that provision, the claim being made it punishes the poor man's diversion and some people think it is wrong in principle.

Mr. KNUTSON. Of course, as the gentleman from Oklahoma so well pointed out, in the smaller communities that have been injured rather than helped by war spending there has been a big falling off in theater attendance.

I want to close with a little philosophy, then I shall yield the floor.

If the Republican Party maintains its present strength in the Congress, or makes gains in the next election, the country can confidently look forward to reductions of taxes in the future, rather than continual increases. Certainly, as soon as hostilities in the present war cease, immediate attention will be given to the revision of our whole tax structure with a view to the realization of maximum revenues consistent with the least interference with individual and business enterprise. Our tax laws are archaic, cumbersome, and complicated. Sound tax principles have been departed from, and too often the taxing power has been used for other than revenue purposes. We have seen taxes availed of to punish taxpayers, for social experimentation, and for accomplishing ends otherwise prohibited by the Constitution. Any worth-while revision of the tax laws must include a restoration of the principle of taxation for revenue only. The Republican members of the Ways and Means Committee are pledged to support and bring about this long-needed, much-to-be-desired tax revision. In a large measure, the country's ability to maintain a high level of national income in the post-war period will depend as much upon the adoption of wise tax policies as upon any other factor.

In conclusion, let me say that there is no royal road to financial independence, either for the Government or for individuals. It can only be attained by integrity, frugality, industry, and moderation. We must adopt these virtues if we are to avoid national and individual bankruptcy and chaos.

Mr. Chairman, I now yield to the gentleman from New York [Mr. REED] as much time as he may desire.

Mr. REED of New York. Mr. Chairman, I want to make just this preliminary statement. I cannot recall whether it was in a colloquy on the floor or elsewhere, but there was some criticism directed against the members of the Ways and Means Committee in that the members of that committee, some 25 in number, utilize so much time that the younger Members of the House fail to get an opportunity to speak on important measures, and particularly such a one as this tax bill. That, I know, was made in good faith, and I have no objection to it. I think there is much to be said in that respect, at least so far as I am personally concerned. I have undoubtedly taken more time in debate than I should have done on some of these bills in which I have been intensely interested, and to which I have given a great deal of study, so I shall endeavor not to offend on this occasion.

Mr. Chairman, more than 10 years have come and gone since Franklin D. Roosevelt took full charge of the executive branch of the Government, and assumed responsibility for its fiscal affairs. We have before the House today another bill to raise revenue, the seventeenth, I believe, since civilization began to function in 1933.

After a careful examination of the majority report of the Ways and Means Committee, a most excellent report on the bill now before us,

I accuse the present administration of being the greatest spendthrift administration in all history. It is an administration that has piled bureau on bureau, commission on commission. * * * Bureaus and bureaucrats, commissions and commissioners have been retained at the expense of the taxpayer.

Mr. Chairman, I am sure that if Franklin D. Roosevelt as a candidate could with propriety make such an accusation in 1932 against the Republican Party, without facts to support his accusation, I am well within my rights and fully justified by the facts to make the same accusation against the Roosevelt spendthrift administration. I would hesitate to make this charge were it not for the fact that the majority in this committee report does not hesitate to indict the Roosevelt administration for its extravagance and waste as a justification for not yielding to the Executive demand for \$10,500,000,000.

It was not until Hon. Henry Morgenthau, Jr., Secretary of the Treasury, appeared before the Ways and Means Committee on October 4, 1943, that our committee was made fully and officially aware of the magnitude of the revenue raising task it would have to face. It was then that Secretary Morgenthau suggested that the committee bring out a revenue bill that would produce additional revenue amounting to \$10,500,000,000. Furthermore, the Secretary emphasized the fact that his proposal would require an additional tax burden on the individual taxpayers of \$6,500,000,000. The fact that the tax burden of individuals has been increased about 2,000 percent since 1940, or from \$900,000,000 annually that year to a probable \$18,000,000,000 in the current fiscal year end-

ing June 30, 1944, caused the committee great concern as to the effect of adding \$6,500,000,000 to the present tax load.

Mr. Chairman, I call attention to the first page of the majority report where this statement appears:

In preparing this tax bill, your committee has given consideration to the following factors:

1. The need for additional revenue.
2. The inflationary problem.
3. The present tax burden.
4. The necessity for simplifying the present tax system.
5. The possibility for economy in governmental expenditures.

It may cause some speculation among the Members of the House as to the formula that was used by the committee in formulating the measure now before this body for consideration. There was nothing in recent party publications to which the majority could turn for inspiration and guidance as how best to finance the war, meet the problem of inflation, lessen the tax burden, and above all simplify the present tax system. I am not violating the rules relating to disclosures made in an executive session of the committee when I reveal that among some ancient, musty, and long-neglected New Deal campaign literature this magic formula was found:

We advocate an immediate and drastic reduction of governmental expenditures by abolishing useless commissions and offices, consolidating departments and bureaus, and eliminating extravagance, to accomplish a saving of not less than 25 percent in the cost of Federal Government.

Mr. Chairman, the committee formula not only produced this modest revenue bill but it had the further effect of causing the bureaucrats to disgorge some \$13,000,000,000 not required for the prosecution of the war, nor needed to carry on the necessary functions of civil government, much less to squander and waste on useless and, in many instances, dangerous socialistic schemes.

Mr. Chairman, the task of raising revenue is an unpleasant and thankless one, but it is nonetheless an all important one, for without revenues the Government could not long exist.

Especially is this true at the present time, when we are fighting a global war, the total monetary commitments for which already aggregate \$330,000,000,000 or roughly the amount of our entire national wealth. And the war is still far from being won, particularly in the Pacific theater of operations. Moreover, we yet have to plan for post-war rehabilitation, which undoubtedly will add untold billions to the over-all cost.

In the current fiscal year, the Federal Government will spend \$104,000,000,000, which is at the rate of nearly \$9,000,000,000 every 30 days. Of this total, ninety-seven billions will go for war activities, two and seven-tenths billions for interest on the national debt, and the balance, or four and three-tenths billions, for civil functions. I wish to say, however, that there is some dispute as to this breakdown of these figures in view of the unrequired \$13,000,000,000.

In the face of this astronomical expenditure during the next 12 months, the Treasury anticipates net revenues from existing taxes of some forty-one billions.

The administration has proposed a program of additional taxes which, had we approved it, would increase revenues to approximately fifty billions, or to roughly one-half the amount of the estimated expenditures.

For many reasons, it is desirable that we meet currently as much of the essential war cost as can be done without destroying our economic system. However there is one circumstance which requires comment, and I refer to the reckless fiscal policy of the pre-war period. The waste and extravagance of the last decade, with the resultant annual deficits and the pyramiding of the national debt, left the Nation ill-prepared for the tremendous financing problem arising out of the war. Let me repeat that despite mounting taxes from 1932 on, the deficits continued to pile up year after year because of the rapid increase in expenditures. When the Japs struck their blow at Pearl Harbor, we had experienced 11 straight years of operating the Government "in the red." Think of it! Eleven years of uninterrupted deficit-financing. Eleven years of annual tax increases, without any approach to a balanced budget during this time.

When we were compelled by dire necessity to borrow astronomical sums for war financing, our Nation's credit had already been stretched to hitherto unprecedented proportions and our potential sources of taxation tapped to the point of virtual exhaustion. We now have reached the stage where the inexorable law of diminishing returns precludes further drastic increases in existing taxes, and where our chief hope for increased revenues must be based not on higher rates but on increased national income, except where the tax burden can be lessened by the elimination of waste.

While you are all deeply conscious of the tremendous increases in taxes in the past few years, I dare say not many citizens realize the actual extent of this increase measured in tax dollars. Let me give you a few interesting facts in this connection:

First, as regards the individual income tax—

In the fiscal year ending June 30, 1940—at which time our emergency defense program was being instituted—the Federal Government was collecting less than \$900,000,000 annually from personal incomes.

The following year the receipts were \$1,300,000,000.

In the fiscal year 1942 they rose to \$3,200,000,000.

In the fiscal year 1943, just closed, they jumped to \$7,000,000,000.

In the current fiscal year, ending next June 30, they are expected to be in the neighborhood of \$18,000,000,000. This represents a 2,000 percent increase in individual income tax receipts in 4 short years.

Let us now look at the corporate picture, in comparison:

In the fiscal year 1940 the corporation income tax produced \$950,000,000.

The next year receipts increased to \$1,600,000,000.

In the fiscal year 1942 they were \$3,000,000,000.

In the fiscal year 1943, just closed, they were \$4,000,000,000, which is substantially the amount estimated to be received during the current fiscal year. This represents a little over 400 percent increase in 4 years. However, when we include the excess-profits tax receipts, the percentage of increase is much greater. Collections from the excess-profits tax have grown to \$10,000,000,000 annually since the tax was enacted in 1940. This makes the total current corporate tax burden approximately \$14,000,000,000.

The individual income tax, along with the corporate income and excess-profits taxes, are by far the largest revenue producers in our entire tax system, making up 32 billions out of the total of 41 billions in taxes which will be collected this year. In terms of percentage, they are responsible for 85 percent of the Treasury's receipts.

Under the revenue laws of the last World War, the most that the Federal Government collected in any one year was \$6,700,000,000, and this figure was not reached until 2 years after the war had ended. Today the total volume of our tax collections is six times as great—and the trend is still upward. Up through the fiscal year 1940, Federal receipts never exceeded \$6,000,000,000. Since then, they have mounted by leaps and bounds, partly through drastically increased rates and lowered exemptions, and partly as a result of increased national income. From 1940 to 1941, Federal tax collections increased moderately from \$5,300,000,000 to \$7,600,000,000. In the fiscal year 1942 they rose to \$12,800,000,000. In the fiscal year 1943, just closed, they jumped to \$22,000,000,000. And in the current fiscal year, we are now informed, they will be over 41 billions—representing a seven-fold increase since 1940.

These figures express more clearly than words the reason why we must go slow in imposing further taxes. Yet each time the administration has recently proposed a new tax bill, it has doubled the amount of its previous request. Thus in 1942, Congress was asked to raise three and one-half billions. Last year the request was for seven and six-tenths billions. This year, the request was raised to twelve billions, then reduced to ten and one-half billions. It would seem that the order should have been reversed, and that as we approach the point of tax exhaustion the additional burdens to be piled on should get less and less, instead of more and more.

If twelve billions had been added to the present Federal tax load, as suggested by the administration, it would then have totaled fifty billions, or slightly less than half the contemplated outlay in the present fiscal year. Including the ten billions being collected by the State and local governments, this would

have brought the total annual tax burden in this country to sixty billions.

However desirable it may be to absorb more of the war cost currently, and at the same time combat the threat of ruinous inflation—and I would be the last to quarrel with the desirability of either objective—the fact is that we have about reached the saturation point in taxes, and must therefore be exceedingly careful in piling on additional burdens. To go too far may result not only in the destruction of the great middle class, which is the very backbone of our country, but also in destroying incentive, which is so necessary to the success of our war effort. Moreover, business must be left something to carry through the readjustment period following the termination of hostilities.

The committee thought it inadvisable to increase taxes by any such figure as \$12,000,000,000, as requested by the administration. The committee examined the whole situation carefully, and then made provision for such increases as seemed practicable, keeping in mind the cardinal rule of ability to pay as well as the dictum of Chief Justice Marshall that "the power to tax is the power to destroy."

With the corporate excess-profits tax rate raised to 95 percent in the bill before us, it seems clear that there can be no further increase from this source, aside from what may be realized as a result of the acceleration of war production.

Moreover, it would seem that the present upper rate on normal corporate profits—now 40 percent—cannot go much higher. I have not forgotten that during the last World War, when individual rates reached a maximum of 77 percent, the corporate income tax was only 12 percent—the equivalent of the maximum normal rate on individuals. Nor have I forgotten that in those days, and up to the time the New Deal philosophy of taxation was given effect, recognition was given to the fact that a corporation was merely a collection of individuals doing business in corporate form, and that, therefore, allowance should be made for the tax paid by the corporation in assessing the shareholders, which was done by exempting dividends from the normal tax on individuals.

Now, we not only will tax the corporation up to 40 percent on normal profits and up to 95 percent on excess profits under the bill, but we shall tax what is left, when paid out in dividends, at the full normal and surtax rates in the hands of the stockholders. Someday, I hope we may get back to sound and defensible principles in taxing individuals doing business in corporate form. Despite the exigencies of war, England has continued to adhere to the sound practice of treating the corporate income tax as a tax upon the shareholder, collected at the source, for which due allowance is made in assessing the individual income tax.

Last year, the Treasury asked for a 55-percent rate on normal corporate profits, but Congress refused to go above 40 percent. There has, as you know, been considerable agitation for an allowance for

post-war reconversion reserves. Of the desirability of such reserves there can be no doubt. The Congress has already given recognition to the principle of post-war reserves in connection with the excess-profits tax, 10 percent of the tax being set aside for the use of the corporation in the post-war period. While this credit is all right so far as it goes, it is not of such magnitude as to build up any appreciable amount for post-war industrial rehabilitation purposes. Moreover, the credit only applies where the corporation has excess-profits tax liability, whereas thousands of other corporations not benefited by the war will have an equal need for such reserves.

No more important problem confronts the Nation than the necessity of being ready to provide peacetime jobs for the millions who will be thrown out of war work with the cessation of hostilities, not to mention the millions of returning soldiers and sailors who will be looking forward to resuming their normal pursuits. The kind of a corporate tax policy which the Congress adopts I know will have a profound effect upon the ability of business and industry to provide these jobs when the war boom ends.

If we are to succeed in maintaining a high level of employment and national income in the post-war period, I firmly believe it is essential that our Federal tax policy be such as to give some encouragement to venture capital. In my opinion, there are endless possibilities for the development of new industries after the war if a wise tax policy is pursued. These industries can easily pave the way for an era of post-war prosperity instead of a post-war depression, and it is to the interest of the Government to see that these industries are nurtured and developed. The war has opened up new frontiers in science and invention, and if the resource and industry of our people are not unduly hampered by ill-advised Government policies of taxation and restraint we can look forward to the enjoyment of unparalleled prosperity and improved living standards.

Before passing to other phases of the tax problem, I should perhaps briefly mention the matter of renegotiation of war contracts, on which the Ways and Means Committee has been conducting public hearings preparatory to proposing certain revisions in the existing law. Prior to the enactment of the excess-profits tax in 1940, the only restriction on war profits was under the Vinson-Trammell Act, which limited the allowable profit on naval vessels and planes. When Congress passed the excess-profits tax law, it suspended the provisions of the Vinson-Trammell Act as being unnecessary. Later, there was added as a rider to one of the appropriation bills a measure known as the war contract renegotiation law, providing for the renegotiation of war contracts where excess profits were found. This law, as every Member here knows, has given rise to much controversy and dissatisfaction, particularly because of the lack of any definite standards for the administration of the law. Most war contractors

seem to feel that the law is unnecessary because 90 percent of any excess profits will be taken under the excess-profits-tax law in any event, and they further feel that the time spent in going through the renegotiation proceedings has actually held up the war production effort. The war agencies, on the other hand, feel that the renegotiation law is sound in principle, though they admit there is room for improvement in the administrative machinery. They have contended further that the function of keeping war costs at a minimum cannot be accomplished under the excess-profits-tax law, nor, so they assert, can such a law provide effective incentives to war contractors to keep production at a maximum and costs at a minimum. A number of clarifying changes have been made so as to eliminate some of the present uncertainties and improve the administration of the law.

Summing up the corporate-tax picture, this bill does not raise any substantial amount of additional revenue through higher corporate rates. I believe that the inadvisability of doing so was conceded by Mr. Randolph Paul, the Treasury tax adviser.

It is obvious that if any large amount of additional taxes, such as was demanded by the President, had been imposed and realized, the burden would have had to fall largely on the individual taxpayer, whether in the form of income or excise levies.

So far as the individual income tax is concerned, there was no longer any room for increases in the topmost brackets. We can hardly expect to take in taxation more than 90 cents out of every dollar a man earns, which is the present maximum. This means that whatever increases may have to be made in the future will have to be in the middle and lower brackets, principally the latter, and we seem to be rapidly approaching the limit even there.

One difficulty with any general increase in rates in the lower and middle brackets is that it would have fallen with unequal impact on persons who have not benefited from the war boom as against those who have so benefited. I realize, of course, that there is a tremendous reservoir of excess purchasing power in the hands of large segments of the people today, indicating that the point of tax exhaustion has not been reached in all cases. The problem, however, is to reach this so-called inflationary purchasing power without crucifying those who are already struggling under the existing tax load. There are millions of persons who either have not had an increase in income since the war or have actually suffered a decreased income. They do not have the same capacity to pay increased taxes as war workers and others whose incomes have doubled, trebled, and perhaps even quadrupled. For example, the man who has received \$5,000 income over a period of years finds today that his actual purchasing power has been considerably reduced through mounting taxes and higher prices for everything he buys. Moreover, he has fixed commitments which must be met, such as

insurance premiums, mortgage payments, and so on. By contrast, his neighbor, who as a result of the war has received an increase in income from \$2,000 to \$5,000, and who does not have these fixed and often long-standing commitments, is enjoying new-found luxury despite the relatively high taxes he has to pay.

In the case of so many of the excise taxes, the products on which they are levied are no longer available, such as passenger cars, electric refrigerators, and radios. In other cases, such as gasoline, consumption is restricted. Thus in a number of instances, receipts have fallen off in the face of increased rates. In the case of practically all of the excise levies, the rates have been increased again and again since they were first imposed.

The Federal estate tax also offers little opportunity for increased revenue, since the rates are already rather high, reaching a maximum of 70 percent. The Treasury urged still higher rates last year, but Congress refused to approve any increase.

Since existing sources of taxation offered little possibility of raising substantial additional revenue, practically the only potential source of new revenue as yet untapped is the sales tax. For years Congress has toyed with the idea of enacting such a levy, but the administration has always been bitterly opposed. Back in 1932 the Ways and Means Committee recommended to the House a manufacturers' sales tax, based on the successful Canadian system, but it was overwhelmingly defeated. Since that time the sales tax has never been able to command the support of a majority of the Ways and Means Committee, and hence has not been included in any of the more recent tax bills, nor in this one. It has, however, been the subject of much discussion.

The arguments which have been most generally used against the sales tax are that it falls heaviest on those with the least income, and is deflationary in character, since it discourages consumption. While it is perhaps true that the sales tax is more burdensome to the poor than to the well-to-do, this argument would be more valid if the sales tax were the only means of raising revenue for the support of the Government. But as long as it is employed in connection with progressive income taxes, the ability-to-pay principle is preserved.

One difficulty about the Federal Government enacting a sales tax at this late date, even if there had been no other objection, is that the State has largely preempted this field. Moreover, they have varying rates and exemptions, and varying methods of collection. For the Federal Government at this time to impose a sales tax with different rates and exemptions, and a different method of collection, probably would have caused a great deal of confusion.

It has been estimated that it would require a retail sales tax of 10 percent, without exemptions, to produce \$5,000,000,000 of revenue. If food were exempted, the yield of a 10 percent retail sales tax would be only \$3,000,000,000.

Thus even if a sales tax were enacted, the Treasury's first proposal of \$12,000,000,000, or even its request for \$10,500,000,000, in additional revenue would have come far from realization.

In this connection, I feel I ought to make some reference to the fact that the long-standing differences between the administration and the Congress on tax policy have made the task of the Ways and Means Committee most difficult in these already trying times. In recent years, the Treasury has presented a detailed tax program to Congress, and when Congress has not seen fit to go along the administration has used its vast propaganda machine to try to overcome congressional opposition. Congress has been held up to scorn and ridicule, and has been accused of shifting the tax burden from corporations and the wealthy to the backs of the masses. Of course, we in Congress get used to unfounded criticisms of this kind, but it is not a very wholesome situation, and is wholly unwarranted. In the first place, the Treasury has no business having a fixed tax program. It is the duty of the House of Representatives, under the Constitution, to originate revenue bills. The executive branch is merely supposed to administer the laws that Congress enacts. It is perfectly proper for the Secretary of the Treasury to make recommendations to Congress when requested, but to my mind it is improper for the Treasury to work out a tax program of its own and then insist that Congress enact it into law without regard to the views of those who are to be taxed or the judgment of the taxpaying public as to what is for the best interest of the country.

The founding fathers had a very definite reason for placing the power to initiate revenue bills in the House of Representatives, whose members must give an accounting of their stewardship every two years. This important power over the purse was purposely denied to the executive branch. The attempt of the latter to usurp the functions of Congress in laying down tax policy is simply a part of the general trend during the last decade, and in my opinion it is high time it was stopped.

I recall that in 1941, when the Ways and Means Committee was considering the \$3,500,000,000 tax bill, we worked under the apprehension that we were increasing the tax level from \$9,500,000,000 to \$13,000,000,000. The next year, however, we found that it had actually been raised to \$18,000,000,000. Again last year, when we were preparing the \$7,000,000,000 bill, we were given to understand that it would raise the tax level to \$25,000,000,000. Yet early this year, the President informed us in his budget message that the tax level had actually been increased to \$33,000,000,000.

The problem of Government financing is one which will continue to plague the Congress and the executive branch for some time to come. As long as the war lasts, we will doubtless be spending tens of billions more annually than we can possibly raise by taxation. In the meantime, the national debt will continue to

pile up. When the national debt reaches \$300,000,000,000, as seems likely, the interest burden alone will be as much as it cost to pay the entire expenses of the Government in the extravagant pre-war period, without reference to any provision for the retirement of the principal.

Following the last World War, we retired the debt at the rate of \$1,000,000,000 annually for 10 years. Then the depression put a stop to further curtailments. Even if we are able to increase the amortization rate to \$3,000,000,000 annually after the present war, it will take a hundred years to pay off the debt.

When we contemplate that our post-war Budget will have to provide a minimum of perhaps ten billion for debt service, it becomes apparent that we will never see a reduction of the cost of government to anything like the pre-war level, even comparable to that in the heyday of New Deal extravagance. Besides providing for debt service, we may have to maintain a huge army, navy, and air force to police the world, which will cost many billions annually. We will have to provide hospitalization and disability compensation for the casualties of the war. We will have to make huge appropriations for post-war rehabilitation. We will undoubtedly be called upon to continue financial aid for post-war recovery in other countries. All these costs will be superimposed upon the regular operating expenditures of the Government, which seem inevitably to increase year by year. I would not venture to predict the exact size of our post-war Budget, but I know it will be staggering when compared to the pre-war level.

At the present time our national income is the highest in all history, yet the most we have been able to raise in Federal taxes has been forty-one billions. If the national income should drop precipitately after the war, the maintenance of our present high taxes would not produce anything like forty-one billions. In other words, we will need to raise by taxation in the post-war period enough to cover not only the high level of expenditures which we may then expect, but the amortization of the national debt as well. This is a problem to put a strain on the ingenuity of our best minds. It can best be solved by endeavoring to maintain national income at a high level in the post-war period; otherwise, the burden of taxation which would be required to keep the post-war Budgets in balance would be absolutely crushing in its severity. Waste, extravagance, and boondoggling must be stopped. The tax outlook for the future is not a very pleasant one to contemplate.

I repeat that in order to minimize the burden as much as possible, it is imperative that every effort be made to eliminate every dollar of wasteful and extravagant spending. Heretofore, congressional efforts at economy have centered around nonmilitary spending. The time has now come to scrutinize more and more carefully the huge appropriations being made for war purposes. Of

the more than three hundred billions already authorized by Congress, only one-third has actually been spent. If it should be found that only 10 percent of the total appropriations were unnecessary, a saving of thirty-three billions could be made. After the last World War it was found that a considerable portion of the funds appropriated had actually been wasted, and there is no reason to believe that the present war will be an exception. The congressional economy committee, headed by Senator BYRD, which is largely responsible for the economies in Federal spending already effected, has accomplished much in this respect without in any way interfering with the war effort. To the extent that economies in military spending are possible, the task of financing the war is simplified.

Mr. ROWE. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Ohio.

Mr. ROWE. I notice in today's paper that Under Secretary of War Patterson makes the statement that where military affairs are concerned they do not consider the cost in connection with the Canol project for oil up in Canada. That \$17,000,000 is a part of the \$13,000,000,000 to which the gentleman referred, that is to be returned or that will not be used?

Mr. REED of New York. As I understand, the \$13,000,000,000 up to this time perhaps cannot be construed strictly and legally as a saving, because it is still there to be spent or distributed around to the different departments to spend as they see fit. What the Congress ought to do, if that be true, is to pass a resolution that the \$13,000,000,000 and any other money the departments save or fail to spend, or that is unnecessary for the prosecution of the war, should be turned back to the Treasury, and then if they need any of that money later, they should come before the Congress or the proper committee of Congress and make their case, and another appropriation can be made to take care of it.

Mr. ROWE. Do I understand, now, that the \$13,000,000,000 of formerly committed dollars is now reserve dollars?

Mr. REED of New York. Yes.

Mr. ROWE. I note further in today's paper that the Secretary of the Treasury proposes a \$10,000,000,000 post-war bank. Is there anything in this tax bill being considered today in the way of funds to be contributed in that direction?

Mr. REED of New York. No; there is nothing that has anything to do with that. We will hear all about that later in the session.

Mr. CASE. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from South Dakota.

Mr. CASE. In regard to the \$13,000,000,000, the War Department budget officer, General Richards, was prepared to say to us when we had our hearing on this matter that they would set over to the Budget Bureau approximately \$10,800,000,000 that would be in a budget reserve, to be drawn only by permission of the Budget Bureau.

In the hearings we conducted last week for some 3 days we went into the total field of expenditures further, and as a result of that they agreed to set over to the budget reserve an additional \$2,200,000,000. However, some of us were not satisfied that that should stay exactly in the status of a budget reserve without some control of it by Congress, so we exacted from the budget officer of the War Department and the several heads of the branches of the War Department who appeared before us the explicit statement—and it is a part of the record testimony on the subject—that none of the \$13,000,000,000 will be removed from the budget reserve in any amount without coming to the War Department subcommittee of the Committee on Appropriations and also getting the sanction of that committee.

I may say that that was a concession that was won by the committee on the express statement made in the committee that without some such reservation some of us would feel obligated to introduce the very type of resolution the gentleman from New York suggests. It will be understood, of course, that appropriation expires June 30, 1944, and the unspent funds automatically revert to the Treasury.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Michigan.

Mr. MICHENER. I do not believe the statement made by the gentleman from South Dakota justifies no affirmative action on the part of the Congress. It is possibilities, not probabilities, that should be taken care of by law by Congress.

Mr. REED of New York. I concur 100 percent with the gentleman from Michigan for this reason: I believe that every dollar that is spent by this Government should be first appropriated and approved by this Congress.

Mr. MICHENER. If that money was not used for the purpose for which it was appropriated by the Congress, then it is entirely wrong to have that money transferred to the control of the Budget Bureau or any other bureau to be used if and when some individual in the Department might see fit to use it. If the money has not been expended for the purposes for which it was appropriated then it should revert to the Treasury.

Mr. REED of New York. The gentleman is absolutely right.

Mr. CASE. I think this is a matter that does concern the Congress and that a frank statement on it should be made. I happened to raise in the committee the same question the gentleman from New York asked, whether or not the committee should not take action to have that money revert to the Treasury. There was some support for it. I felt that way about it myself. However, the pledge to come back to the committee was not made merely as a matter of somebody's opinion, it is a matter of testimony, a matter of record, that before any part of that \$13,000,000,000 will be spent the Committee on Appropriations

will be consulted. The budget officer of the War Department, General Richards, Secretary Patterson, and General McNarney, the Assistant Chief of Staff, all gave their solemn testimony that that money would not be expended without coming before the Committee on Appropriations and asking for it again.

Mr. MICHENER. If that is true, the proper way to do it would be to have action by Congress rather than to accept the promise of Department representatives to a subcommittee.

Mr. REED of New York. Absolutely, and not only in writing but make it a resolution of Congress.

Mr. CASE. It is in writing as a matter of record before the committee. Although much of the testimony before us was of a military nature and off the record, this matter is a part of the record.

Mr. REED of New York. I do not care anything about the testimony.

Mr. CASE. Further, there are some items in that \$13,000,000,000 which it might be important to have available relating to the reduction in certain projects which are related to military strategy. If we had insisted upon getting that resolution, if I and one or two others who supported me in the matter had insisted on getting the resolution, we would not have been able to have impounded as much as \$13,000,000,000.

Mr. REED of New York. Congress can impound whatever portion of the \$13,000,000,000 it deems wise.

Mr. MICHENER. Would it not be better to impound it and know what we have impounded rather than to transfer to some agency or bureau \$13,000,000,000 to be used if, when, and how the bureau might see fit?

Mr. CASE. It is impounded. It is not left to the Budget Bureau alone.

Mr. MICHENER. It is not impounded by law, yet Congress has apparently lost control over it. That is what I am concerned about.

Mr. CASE. The Congress, through the Appropriations Committee, has recaptured control of \$13,000,000,000 over which it did not have control.

Mr. MICHENER. The Appropriations Committee has no authority to recapture any of this money. At most it can leave only a promise.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. REED of New York. I yield to the gentleman from Illinois.

Miss SUMNER of Illinois. I notice here that the individual income tax increases are going to bring in \$154,800,000.

Mr. REED of New York. The reason for the increase is that the normal tax had to be increased to implement what is now known as the Victory tax. It does pick up a little revenue, but it is very slight.

Miss SUMNER of Illinois. It seems to me you are doing a very serious thing here, for two reasons. First, we passed a bill yesterday with scarcely enough votes to override a veto—and we may not have enough votes to override it when it comes back—a bill to give \$1,000,000,000

worth of subsidies chiefly for the purpose of subsidizing the consumer grocery bills of the white-collar class, which is the very class you attack. Here you are in a war situation where you need this managerial and white-collar class. You ought to keep up their salaries. And you bring in this decrease. It seems to me that is entirely inconsistent with our idea of profit and the means of getting things done.

Mr. REED of New York. When you look at the whole picture, in order to get rid of this very objectionable Victory tax it had to be worked out on a mathematical basis. It does bring in a little revenue, but it is not of great consequence to the general run of taxpayers, in view of the \$6,500,000,000 which the Treasury sought to put on individuals.

Miss SUMNER of Illinois. Do you mean to say these increases make no difference to you personally, but will just replace the Victory tax?

Mr. REED of New York. That is true, just to replace the Victory tax.

Mr. CARLSON of Kansas. Will the gentleman yield?

Mr. REED of New York. I yield for a question.

Mr. CARLSON of Kansas. We did repeal the earned-income credit, which we did to simplify the tax system, and that does increase taxes somewhat. And also we removed the deductions from taxes and excises from personal income. That is where we picked it up.

Mr. REED of New York. To answer the lady from Illinois a little further, you must recall the President wanted to increase individual income taxes five times that amount. He wanted, as I have said, to put on \$6,500,000,000 additional to the tax load of individuals, which would have hit the white-collar people. When Mr. Eccles, of the Federal Reserve, appeared before our committee his proposal was \$16,000,000,000 increase in taxes. We are now showing a retrenchment of \$13,000,000,000, provided it can be returned to the general fund of the Treasury. How many more billions of dollars the spendthrifts are pouring into rat holes right now is to be ascertained by future investigation.

Mr. HINSHAW. Will the gentleman yield?

Mr. REED of New York. Yes.

Mr. HINSHAW. I would like to know from the gentleman from South Dakota [Mr. CASE] whether or not the Army came in voluntarily and disgorged the \$13,000,000,000, or whether it was dragged out of them.

Mr. CASE. The true credit for the savings should go to the boys in Africa and Italy, in Alaska and Australia who have made these savings possible. The credit for the mechanics of the saving should probably be divided between the War Department, the budget officer of the General Staff, Brigadier General Richards, and the committee. The War Department came in in response to a letter which the chairman of the committee wrote for the committee last summer shortly after the recess. The letter was predicated upon the reduction in the armed forces. As the gentleman knows,

at the time the War Department appropriation bill was prepared last May, it was planned to have an army of 8,260,000 men at the end of the fiscal year. Subsequently plans were curtailed so that we currently plan an army of 7,700,000 men. That reduction of 560,000 men automatically suggested to the committee and to the chairman of the committee the possibility of some saving, not merely in the pay of those soldiers, but in the equipment and matériel that would be provided for them. That particular phase was responsible for about \$2,000,000,000 in the money that is recaptured. That led, however, to a further investigation of the appropriations made last June on the basis of the changed military situation, the improvement of the situation at sea with the conquering of the submarines or at least a reduction of their effectiveness, with the result that when the War Department made its report to us a week ago they proposed impounding \$10,943,000,000. That was increased by \$2,200,000,000 to a total of \$13,100,000,000 as a result of the hearings the committee conducted last week.

Mr. HINSHAW. Does not the gentleman think the War Department is to be complimented for bringing in that money?

Mr. CASE. Yes; I do.

Mr. MONRONEY. Will the gentleman yield?

Mr. REED of New York. I yield.

Mr. MONRONEY. The gentleman from New York is one of the most distinguished and scholarly members on the minority side of the Ways and Means Committee.

Mr. REED of New York. I will have to plead not guilty, sir.

Mr. MONRONEY. I would like to ask him if when this tax bill, which we are passing without prolonged debate today, comes back from the Senate, should they have a freeze of the social-security tax raised in there; will we be forced to vote for that in a conference report? I would like to see what the sentiment is in the Ways and Means Committee.

Mr. REED of New York. I cannot express the sentiment of the Ways and Means Committee as I have not the power of divination to know what the Senate Finance Committee may do. I understand that some of the most distinguished men in the other body are in favor, of course, of freezing the tax where it is, and whether they will attempt to put it in this bill I do not know. I wish I could inform the gentleman. I can speak only for myself, so far as that is concerned, but from all the evidence I have been able to examine as to the amount of reserve that has been built up and the necessity to accomplish that function at this time, there is no reason for building up a larger reserve. All it does is to print bonds and to put those in a box and go out and spend the money. I think it is better to leave the money in the banks.

Mr. MONRONEY. The gentleman does not mean we should be given a question of this great import on a conference report to study, does he?

Mr. REED of New York. As I say, I cannot speak for the majority of the Ways and Means Committee. I do not want to attempt to speak for the minority on that question. Just what the situation might be at the time, whether it is necessary to do it or bring it in, I do not know. I do not like to see a tax bill muddled with a big question of that character. I am not in control of it.

Mr. MONRONEY. It seems to me that would be very bad legislative procedure. That would not give the House a chance to express its true views on this and legislate as we should on a matter of that importance.

Mr. REED of New York. It would not be the first time that another matter is attached to a tax bill.

Mr. ELLSWORTH. Will the gentleman yield?

Mr. REED of New York. Yes.

Mr. ELLSWORTH. I would like, before this bill passes, to make inquiry regarding the 3 percent tax on freight transportation. I come from the far West and that tax being on a percentage basis rather than a unit basis acts as a tariff barrier on certain of our products.

Mr. REED of New York. That is perfectly natural. I am not criticizing anybody for it, but I have yet to find anybody who is truly fond of taxes. If you had sat day after day listening to people who appeared before us—fine, splendid, patriotic people, some representing corporations and some partnerships and some individuals—I think if you will examine the testimony you will find, in nearly every instance, each of those who came before us and they said, "We know you must have money and we are in favor of taxes. We feel, however, that we are taxed for all that we can afford to pay." Now, as a matter of fact, considering the demand of one department for \$16,000,000,000 and another department for \$12,000,000,000 and another one for \$10,500,000,000, I think that after all the people must realize that this is a rather modest demand, even with your transportation tax. I would like, of course, to see many items in the tax bill removed.

Mr. ELLSWORTH. Possibly I should explain my comment. The objection that I hold, and I think the one that is held by the people out there, is not an objection to paying a tax but it is an objection to the basis on which the tax is levied. Take, for example, lumber; the 3 percent tax on the lumber we ship amounts to an average of about 60 cents per thousand feet. The lumber freight tax from competitive areas is much less. The freight tax should be on a unit basis—not percentage.

Mr. REED of New York. I can see your point and I do not blame you for raising it.

Mr. ELLSWORTH. I just wanted to make it clear that it is not the amount of the tax. That is not the point involved.

Mr. REED of New York. I understand.

The CHAIRMAN. The time of the gentleman from New York [Mr. REED] has expired.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. WOODRUFF].

Mr. WOODRUFF of Michigan. Mr. Chairman, the Ways and Means Committee, because of its refusal to provide additional revenue of ten and a half billions of dollars in the bill we have before us, has been editorially castigated by certain editors of the metropolitan press. Ordinarily, editors of such publications are well informed and their opinions are worthy of consideration by the public. However, in this instance, the ones to whom I refer apparently are yielding to the importunities of the Secretary of the Treasury and other members of the administration, and doing so without knowledge of many facts which this administration is concealing from the public, and which cannot be justified upon any grounds whatsoever. I believe it is almost unanimously agreed that when our soldiers and sailors are fighting on battle fronts all over the world, when we also are providing money, food, and all types of military supplies to our allies, that every expenditure of the Government should be closely and critically scanned by the Congress, and that appropriations should be provided only for those things which are directly needed to bring victory to our arms at the earliest possible moment.

We all have been hearing stories coming from Central and South American republics, as well as other parts of the world, to the effect that those countries are being overrun with agents of this Government who are committing our people to expenditures of money to an extent that will shock the people of this country when the facts are known. Confirmation of this statement can be had if the Appropriations Committee will force from the proper officials a detailed account of what these agents of the Government are doing in those countries, and to what they are committing the taxpayers of this Nation.

Mr. Chairman, the Congress approved the original Lend-Lease Act. It has since renewed the act for an additional 2 years. This law gives to the President of the United States the authority to spend the billions provided under the law in any way he sees fit, if in his opinion, such expenditure will contribute to our national defense. This is the only restriction placed upon the Chief Executive in this regard. I voted against the original Lend-Lease Act and against its extension. I voted against appropriations under the act. I did so because I did not believe the President was careful enough of the taxpayers' money to justify giving him this power. Subsequent events have confirmed my opinion. Certainly when Congress approved the legislation and the more than \$70,000,000,000 which have been either directly appropriated for, allocated to the lend-lease fund through Executive order, or expended for ships and arms which have been contributed or made available to our allies and other nations, it naturally expected that the President would make expenditures from this fund only for purposes which would directly and substantially contribute to

the winning of this war. I believe neither the Congress nor the country would have given any measure of approval to this act if it had been known that the money, which we must borrow on the credit of the taxpayers for this purpose, and which the taxpayers must eventually dig down in their pockets to pay, together with the interest thereon, until those debts are finally retired, if they had had the slightest suspicion that this Government would establish W. P. A. projects and other boondoggling activities all over Central and South America, and probably all over other sections of the world also.

How many Members of this House, for instance, know that we are now committed to spending in the next 3 years in Central and South American republics \$6,000,000,000 for every imaginable thing, not one of which will in the slightest degree contribute to the early success of our arms and bring peace to this world? Mr. Chairman, one million dollars is a huge sum of money. The human mind just cannot conceive the magnitude of six thousand millions, which is the amount involved in this program in a comparatively small part of the world. What other programs of like character elsewhere there are is yet to be disclosed. How many Members of the House know that the national budgets of the 20 Central and South American republics in 1941 totaled only \$1,067,000,000, or approximately one-sixth of the amount we propose to spend there in 3 years? One Latin American editor said, "\$6,000,000,000! There are 120,000,000 people in Latin America. That is \$50 apiece. If our friendship were actually for sale, \$50 would not be enough; but if we would sell it, \$50 would be too much." It is known that we have set up in Latin America W. P. A.'s, N. Y. A.'s, and F. S. A.'s, and the spending of this six billions is in the hands of a number of agencies of the United States Government. It is understood there are more than 12,000 projects of different types. For example, this money is being spent to stock the streams and lakes of Venezuela with game fish. Right now there is a fishery mission in Mexico. We paid for a fish survey in the ocean adjacent to Panama. We are financing the preparation of a handbook of South American Indians. Also, a Guide to Official Publications of Latin America, a Law Guide, and Central American Legal Studies. We are paying for a survey of collections of Latin American music. All these and thousands of other projects of various degrees of usefulness.

Mr. Chairman, I am indebted to the distinguished Senator from Nebraska, the Honorable HUGH BUTLER, for the information I am discussing.

Mr. CURTIS. Mr. Chairman, will the gentleman yield?

Mr. WOODRUFF of Michigan. I yield.

Mr. CURTIS. I think it should be mentioned that the Senator will file a very lengthy and detailed report in the Senate in a day or two, and the entire expense of this trip covering some 20,000

miles did not cost the taxpayers anything, and was undertaken by the Senator individually.

Mr. WOODRUFF of Michigan. I am very happy to have that information injected into my remarks. I hope every Member of the House, and certainly every Member of the Senate will carefully scrutinize the report that the Senator will file with that body. I am sure we will all find it highly enlightening.

This splendid public official traveled 20,000 miles in the countries to the south of us at his own expense, as the gentleman from Nebraska says, and while there gathered information which should be in the possession of every citizen of the United States. In an article in the December issue of the Reader's Digest, the Senator has disclosed the fantastic lengths to which the Roosevelt administration would go in taxing our people and spending their hard-earned money in the far corners of the world.

To those who criticize the Ways and Means Committee for refusing to pile upon the already overburdened taxpayers of this country an additional \$10,500,000,000 tax at this time, while things such as I have disclosed, together with all the other things which Senator BUTLER has described, as well as the probable similar activities the administration is engaging in all over the world, I commend a careful reading of the splendid article by the distinguished Senator from Nebraska.

Certainly, Mr. Chairman, something should be done about such fantastic expenditures.

Mr. CURTIS. Will the gentleman yield further?

Mr. WOODRUFF of Michigan. I yield.

Mr. CURTIS. That article was placed in the Appendix of the RECORD.

Mr. WOODRUFF of Michigan. I thank the gentleman.

Certainly Congress should promptly amend the Lend-Lease Act and take from the President the power he now has which he is so shamefully abusing, and place that power in the hands of some agency not as profligate in spending the taxpayers' money as the President has proved himself to be. I commend my remarks and Senator BUTLER's splendid article to the Foreign Affairs Committee of this House, and appeal to that committee to report an amendment to the act which will accomplish this. Further, I commend to the Appropriations Committee that when the next appropriations bill comes from that committee, they recover to the Treasury the billions still available in the lend-lease fund, and that hereafter when additional billions are requested, that the members of the committee secure from the spending authority an itemized account of the things for which the spenders propose to use the fund, eliminate every item that cannot be fully justified, and then hold that authority to strict account for its expenditures. Further, there should be, there must be, some check put upon all reckless, wasteful, fantastic spending of the public moneys. If from the very beginning of the present world emergency we had limited our

expenditures to only those things which were absolutely necessary for the civil administration and the prosecution of the war, even then the public debt would have been far greater than could at the time have been conceived. As it is, God alone knows how many additional billions of debt have been heaped upon our people, and how many additional generations will be taxed in order to pay the increased debt engendered by such activities. Certainly, Mr. Chairman, those responsible for this policy must have been afflicted with visions of grandeur or they are determined to wreck this Republic. How else can we account for the utter disregard of the welfare of our tax-paying public?

Mr. Chairman, had our critical editors been informed as they should have been, had proper publicity been given to the crack-brained policy of a world-wide program of boondoggling and W. P. A., they would have directed their shafts of criticism at those responsible and in that way have contributed to some degree to a return of sanity in the expenditure of the tax and borrowed money.

The conditions I have discussed, together with the surrender to the Treasury of the thirteen billions which the War Department turned back the other day, point the way to save other and greater amounts by recovering to the control of the Appropriations Committee the unexpended balance in the lend-lease fund. When this has been done we will find we, by that process, will have reduced our expenditures to the point where no greater taxes upon our people will be necessary, and that the pending bill provides a sufficient amount of money at this time.

Mr. Chairman, in order that the Members may have all the facts presented by the distinguished Senator from Nebraska, I suggest they read the article in the current issue of the Reader's Digest heretofore referred to, a reprinting of which appears on page A5073 of the Appendix of the RECORD.

Mr. LEWIS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. WOODRUFF of Michigan. I yield.

Mr. LEWIS of Ohio. I would like to ask the gentleman how we can justify levying additional taxes upon the people of this country at this time in face of the things the gentleman has just related and as contained in Senator BUTLER's report?

Mr. WOODRUFF of Michigan. There would be no possible justification for levying greater taxes upon the people of this country at this time than the taxes incorporated in the present bill, I will say to the gentleman from Ohio.

Mr. LEWIS of Ohio. How can we justify the taxes incorporated in the present bill in the face of it?

Mr. WOODRUFF of Michigan. I am frank to say that in view of the disclosures made by the Senator from Nebraska, which came to my attention only today, I am somewhat in doubt myself as to the advisability of it.

Mr. ROWE. Mr. Chairman, will the gentleman yield?

Mr. WOODRUFF of Michigan. I yield.

Mr. ROWE. Is it not a fact that the tax bill is to pay the accrual of the debt that has been caused by the very extravagance to which you are referring?

Mr. WOODRUFF of Michigan. There is not any question about it.

The CHAIRMAN. The time of the gentleman from Michigan has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 20 minutes to the gentleman from Oklahoma [Mr. DISNEY].

Mr. DISNEY. Mr. Chairman, I ask unanimous consent to revise and extend my remarks and to include therein the individual views I filed in the report on this bill.

The CHAIRMAN. Without objection, it is so ordered.

There was no objection.

INDIVIDUAL VIEWS OF REPRESENTATIVE WESLEY E. DISNEY

In recent years there has been much discussion of economy in government. Important economies have been accomplished. The present bill provides no legislative means of operation to improve the governmental machinery in the direction of economy. Up to the time of the War between the States, the Ways and Means Committee was the tax-raising and money-spending committee of the House. It levied the taxes and took the appropriation bills to the House. At that time the Appropriations Committee was created, and since then each committee has gone its way. The Ways and Means Committee has been the revenue committee of the House and the Appropriations Committee has presented the appropriations bills to the House. Neither had had power or jurisdiction over the other.

In the legislative branch of the Government there is no committee or organization which deals with the subject matter of the over-all budget or the over-all revenues. The Bureau of the Budget, now in the arm of the executive branch, performs this function that is entirely separate and apart from the Congress. The Comptroller General in the main looks to the legality of expenditures.

It is therefore necessary for a Member of Congress, if he desires to get the over-all picture of expenditures and receipts, to go to the Bureau of the Budget, which has no legislative authority. Under the rules, procedure, and traditions of both Houses, the Ways and Means Committee and the House Appropriations Committee are independent of each other on this subject, as are the Senate Finance Committee (the revenue committee of the Senate) and the Senate Appropriations Committee.

I proposed in the Ways and Means Committee a provision to be inserted in instant H. R. 3687, which would require the President to furnish the Congress an estimate of expenses to be furnished to a newly created Joint Committee on the Budget, composed of five members of the Ways and Means Committee, five from the House Appropriations Committee, five from the Senate Finance Committee, and five from the Senate Appropriations Committee. This committee would be required to make a joint report to the two Houses, which, upon the adoption by each House, would create a statutory ceiling for appropriations for each department or establishment of the Government. This statutory ceiling could not be exceeded except by two-thirds of the votes of each House on a yeas-and-nays vote, and any individual Member could raise the question on a point of order.

As a part of these views the provision is offered as follows:

TITLE II—BUDGET AND REVENUE CONTROL

Part 1

1. The President shall transmit to the two Houses of Congress, on or before June 1 of each year, a report showing:

(a) His estimate of the total revenues and receipts of the Government for the calendar year next succeeding.

(b) His estimate of the total of the expenditures by departments and independent establishments of the Government under obligations to be incurred during the fiscal year beginning on the 1st of July of the calendar year next succeeding.

(c) If the total of his estimates of expenditures under (b) exceed the total of his estimates of revenues and receipts under (a), he shall recommend to the Congress in said report the manner in which the revenues and receipts shall be increased so that the total of such revenues and receipts, as estimated, shall equal or exceed the total of the obligations, as estimated.

(d) Upon receipt of said report from the President, it shall be referred forthwith to the Joint Committee on the Budget created by part 2 hereof, and such reference by either body to such joint committee shall confer jurisdiction to consider and report as provided in part 2 hereof.

Part 2

This part is enacted by the Congress, with complete reservation of the constitutional rights of each House thereof, as follows:

(a) There is hereby created a joint committee of Congress to be known as the Joint Committee on the Budget, hereinafter referred to as the Budget Committee. The Budget Committee shall consist of 10 Members of the Senate, to be appointed by the President of the Senate (consisting of 3 members of the majority party and 2 members of the minority party from each of the Committees on Appropriations and Finance); and 10 Members of the House, to be appointed by the Speaker of the House (consisting of 3 members of the majority party and 2 members of the minority party from each of the Committees on Appropriations and Ways and Means). The chairman shall be designated by the Speaker of the House.

(b) On or before June 15 of each year, following the transmission of the President's report as herein provided, the Budget Committee shall report its recommendations thereon to the respective Houses of Congress. Such report shall be accompanied by a joint resolution or bill with the customary resolving or enacting clause and the body thereof in following form:

"That the Budget submitted by the President for the fiscal year beginning July 1 of the calendar year next succeeding, shall not exceed a grand total, for all purposes of \$----- The said total sum shall include all appropriations of every kind whatsoever—regular, annual appropriations, permanent appropriations, reappropriations, indefinite appropriations, and authorizations to contract or commit, the amount for which, if indefinite, shall be estimated."

The total of the estimated appropriations for each department or establishment shall constitute the statutory ceiling of appropriations for such department or establishment.

(c) Consideration of the report of the Budget Committee shall be first on the part of the House.

(d) If the Budget Committee fails to make a report within the time specified herein, it shall be in order for any Member of the House to present the resolution or bill set forth in (b) hereof and to call up the same for consideration at the earliest date; if said resolution or bill has not been considered, it shall after 3 days be considered as unfinished business of the highest privilege.

(e) Consideration of said resolution or bill shall not exceed 10 hours in either House, the

control of which shall be equally divided in either House among the chairmen and ranking minority members of the two committees of each of such Houses from which the members of the Budget Committee are chosen. Upon completion of consideration the resolution or bill shall be moved to final passage with no intervening motion, except that amendments may be offered to change, without qualification, the total amount.

(f) Upon passage by the House, the resolution or bill shall be transmitted forthwith to the Senate, where it shall be considered at the earliest date and after 3 calendar days shall be considered unfinished business of the highest privilege.

(g) Consideration by either House of Senate amendments to such bill or resolution, or of conference reports thereon, shall likewise be of the highest privilege.

(h) Whenever any appropriation bill for any department or other establishment, the ceiling for whose total appropriation is fixed pursuant to this act, reaches a final vote in either House, if the total of such bill when moved to final passage is in excess of such ceiling, each such vote shall be by yeas and nays, and shall require a two-thirds vote for passage. If the bill shall have failed to receive a two-thirds vote, it shall be considered as having been recommitted with instructions to report the same back with each item proportionately reduced, to bring the total of the bill within the statutory ceiling.

(i) Whenever any appropriation bill for any department or other establishment, the ceiling for whose total appropriation is fixed pursuant to this act, has passed the Senate with Senate amendments the net total of which will increase or further increase the total of such bill above such statutory ceiling, concurrence in the amendments to the extent which increases the total of the bill above the statutory ceiling, or adoption of any conference report the net effect of which is to increase or further increase the total of such bill above the statutory ceiling, shall require a two-thirds vote.

In my judgment, it is unfortunate that this provision was not adopted as a part of H. R. 3687. It would be a special move in the direction of governmental economy. Our appropriations have risen since 1913 from \$700,000,000, when we had a population of 90,000,000, to nearly \$8,000,000,000 in 1940, when our population had only increased to 130,000,000. In my judgment, our economy cannot continue to function with such tremendous increases in expenditures and consequent high rates of taxes.

WESLEY E. DISNEY.

Mr. DISNEY. Mr. Chairman, while we are tossing these dollar marks around this afternoon, we must remember that every dollar that is spent goes across these desks and somebody here has to vote for it. There is one certain way to cure the bureaucrat and that is to cut off his money. Nobody can cut off his money but Congress. So, after we get through with our tirades against the bureaucrats, remember that we furnish them the money.

I shall confine my remarks on the bill to the provisions relating to renegotiation of war contracts, but, first, let me talk a little bit on the subject of expense, since the subject matter has been brought up here by so many Members.

At the beginning of the First World War we had a public debt of \$1,282,000,000. We ended the First World War with a debt of \$26,500,000,000. We began this World War with a public debt of \$65,000,000,000; and this Congress has

appropriated since July 1, 1941, \$345,000,000,000 of which \$285,000,000,000 has been obligated. I made a proposal before the committee, and I am sorry it was not adopted. It was to create an over-all budget committee. Up to the War between the States the Ways and Means Committee acted as appropriations committee and as a revenue-raising committee. Then it was divided and the Appropriations Committee came into existence. There is no committee of Congress whose duty it is to keep the Congress advised of the over-all picture as to revenues and appropriations. The Congressmen must seek that information downtown at the Bureau of the Budget.

My proposal was for the creation of a committee of 20 members composed of members of the Ways and Means Committee and Appropriations Committee of the House, and the Finance Committee and the Appropriations Committee of the Senate. The duty of this committee would be to prepare an over-all budget and submit it to the two Houses. Upon adoption by the two Houses no appropriation could exceed that ceiling except upon a two-thirds vote of the membership and upon the yeas and nays. To me that would implement economy instead of treating economy like the weather, simply talking about it but doing nothing about it.

Mr. Chairman, the provisions of this bill dealing with renegotiation of war contracts involve many difficult problems. The existing law on renegotiation is somewhat of a legislative botch because of the stress of circumstances.

You will recall that the present law on renegotiation of war contracts had its origin in an amendment proposed by the gentleman from South Dakota [Mr. CASE] to the sixth supplemental national defense appropriation bill of 1942. The amendment provided that funds under the bill should not be available to pay contractors with the Government any profits on their contracts in excess of 6 percent. The amendment was adopted by the House but in the Senate it was stricken from the bill and an amendment offered by the Senator from Tennessee [Mr. McKELLAR] substituted for it. The final provisions for the renegotiation of war contracts, which were contained in section 403 of the sixth supplemental national defense appropriation bill of 1942, were those recommended in the conference report on the bill.

Note that at no stage of the legislation up to and including the date of its enactment were any public hearings held. The very fact that it was written in conference indicates that it was done hurriedly. As early as August of 1942, a mere 3 months after its enactment, it became apparent that certain administrative amendments were necessary, and such amendments were recommended by representatives of the War Department, the Navy Department, and the Maritime Commission in connection with the consideration of the revenue bill of 1942 by the Committee on Finance of the Senate. The recommendations were

followed by the committee, adopted by the Senate and recommended in the conference report on the revenue bill of 1942. The managers on the part of the House, however, while realizing that the amendments proposed were necessary and desirable, were also convinced that further amendments would not be necessary, for in their statement to the House they said:

The committee of conference does not feel that the amendments which are made by the bill to the renegotiation law contain all the changes and improvements which it might be desirable to make. No attempt has been made to study and reexamine all the possible methods for dealing with excessive profits realized on war contracts. The bill merely attempts to remove some of the more pressing objections to the present law and to make the law administratively workable. It is anticipated that the Ways and Means Committee will study section 403 in connection with matters now pending before the committee with an eye to a more general revision than is contained in the 1942 revenue bill.

A more general revision than that contained in the 1942 tax bill should have been approved last year but time and the legislative situation did not admit of it. We hoped to get into it the 1st of last January almost immediately following the 1942 bill but we were not able to.

Last June, as a result of the many complaints and criticisms of the law, hearings on renegotiation were initiated by the Committee on Naval Affairs under its authority to investigate the progress of the war effort insofar as the Navy was concerned, and in the same month a subcommittee of the Committee on Ways and Means was appointed to go into the whole problem of renegotiation of war contracts and make recommendations to the full committee. In the meantime the chairman of the Committee on Ways and Means at the request of the interested departments and agencies introduced a bill to increase the exemption limit from \$100,000 to \$500,000. This was the only amendment recommended by the departments. Hearings on amendments to the renegotiation law were held by the full committee beginning in September and extending over a period of 2 weeks. Shortly thereafter the Committee on Naval Affairs made certain recommendations in the form of a report which was made available to the Committee on Ways and Means.

Since the First World War everyone has discussed the subject of taking the profits out of war; we are all agreed on that subject, that no inordinate, undue profit should be made out of any war effort, and in this bill by these amendments we adhere to that principle.

I think paramount to that principle, however, should be the making certain that when this war is over men returning from the service may have jobs. We cannot cut into profits too deeply and by doing so prevent the accumulation of the reserves which will make that reemployment possible. Perhaps we are cutting too deeply already with

a tax rate as high as 90 percent on corporate and individual incomes.

At the outset of the hearings on renegotiation Mr. Karker, who had charge of renegotiation in the War Department, used this language. He said:

In my judgment as an individual this Renegotiation Act is a dangerous and un-American statute; but we are in a dangerous and destructive war which justifies unusual precautions and conditions.

The present renegotiation statute can be open to the charge Mr. Karker made. Why? Because it adopts the principle of government by men instead of government by laws.

The definition of "excessive profits" in the existing law illustrates what I mean. It is rather remarkable. It reads like this:

The term "excessive profits" means any amount of a contract or subcontract price which is found as a result of the renegotiation to represent excessive profits.

Really a work of art by the Congress for which we are all to blame. The absence of any standard in the present law for the determination of excessive profits leaves the American system of free enterprise completely at the mercy of the social views of whoever happens to have the job of determining excessive profits.

We try on pages 101 and 102 of the bill to give a definition of "excessive profits," and I think you will find it a fairly satisfactory definition. Twenty-five men on the Ways and Means Committee, who feel that they are as good as the average man and woman of the House, have worked very assiduously, sometimes very heatedly, over this whole subject. We went to grips with each other without nearly the unanimity that appears on this floor now. But we tried to define "excessive profits" in a legal manner. We prescribe the factors on page 102 which must be taken into consideration in the determination of excessive profits. The standards are necessarily general, for it is obvious that a dollar amount or value cannot be ascribed to any one factor, any more than in the purchase of a horse can so many dollars be ascribed by the purchaser to soundness, so many to wind, and so many to a straight tail. It is impossible to fix exact standards because of varied situations and circumstances under renegotiation. All of the factors prescribed, however, must be taken into consideration. Furthermore, when the Board makes a determination of excessive profits it must, at the request of the contractor or subcontractor, furnish him with a statement of the determination, of the facts used as a basis therefor, and of the reasons for the determination of the particular amount of excessive profits found. Thus the contractor will be apprised not only of the facts used by the Board in making its determination, but also of the reasoning which on the basis of such facts compelled the conclusion which the Board reached.

The departments recommended that when the aggregate of the amounts received or accrued under contracts for a fiscal year did not exceed \$500,000 the

contractor be exempted. That is to say, if a man has one contract for \$500,000 or less for the fiscal year, he is not renegotiable; if he has half a dozen contracts, the aggregate of which does not exceed \$500,000, he is not renegotiable.

On page 125 you will find the exemption of contracts and subcontracts for agricultural products in the first form or stage in which they have an established market; that is to say, using cotton as an example, the first form in which cotton has an established market is in the bale, and hence contracts and subcontracts for cotton in this form will be exempt from renegotiation.

We have rewritten the definition of subcontractor. The definition in the present law makes it necessary for the renegotiators to go clear through the whole gamut of subcontractors down to the man who furnishes the hammer and nails out of the hardware store to make the packing box in which to ship some article which ultimately finds its way into an article contracted for by a department, but we redefine subcontractor so as to establish certain limits. Under the new definition, renegotiation will apply only to subcontractors who make or furnish either an article contracted for by a department or an article which is to be actually incorporated in or as a part of an article contracted for by a department. Thus all incidental operations which are involved in fulfilling a contract, such as the purchase of business machines to keep records, the purchase of machines or hand tools with which to make contract articles, will be excluded from renegotiation.

You will find on page 79 of the report a graph that gives an illustration of the operation of the new definition.

The departments were anxious to save work for themselves and suggested that contractors be required to file statements of costs with the departments. The committee acceded to that as a good suggestion and on page 114 we do make that provision. Under penalty, contractors having contracts with the departments as well as subcontractors are required to file cost statements. We think that will facilitate administration of the law.

On page 112 we provide that when money is saved by the department as a result of renegotiation, that money goes back into the Treasury. Under the present law only amounts that are actually recovered from contractors go into the Treasury. We have extended this to cover amounts withheld from contractors as well.

On page 113 we provide that once renegotiation is started it must be completed in 1 year. We want this business closed up. At the end of a year after renegotiation proceedings have started, if the renegotiation officials have not finished the job, renegotiation ceases. If they have set renegotiation in process they must complete it in 1 year. Of course the present law requires that renegotiation be started within 1 year after the close of the contractor's fiscal period. We have not changed that.

All through the bill you will find that repricing or progressive pricing is pro-

vided for. That was suggested by the departments. It has been found to be successful in Great Britain. That is to say, while the performance of the contract is in progress the department may check up with the contractor, see what his costs are, and if he can produce at a less price, or if it is necessary to have a greater price, the statute gives the department the leeway to adjust the price accordingly. We think that is a beneficial provision which will assist the Government in saving money and also do away with the necessity in many cases of recapturing excessive profits after they have been realized.

Coming to standard commercial articles, we had a tremendous argument and debate both in the subcommittee and full committee on this subject.

Mr. NORRELL. Will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Arkansas.

Mr. NORRELL. In reference to renegotiation, I am wondering what the gentleman's opinion is regarding the ability of business in this country to accumulate a reasonable reserve to tide them over from wartime to peacetime activities. I wish the gentleman would give us some discussion of that.

Mr. DISNEY. Under the 1942 Revenue Act a man who has excess profits gets a post-war reserve of 10 percent of his excess-profits tax, but that cannot operate under renegotiation. It would be impossible to do that because we would have such tremendous discriminations between contractors. In other words, if a contractor has made excessive profits by reason of charging the Government an excessive price you would not want to give him 10 percent for a post-war reserve. You as a contractor might charge the Government reasonable prices, whereas I as another contractor might charge excessive prices and make a tremendous excessive profit. It would not be fair to give me a reserve that I might not need and not give you one which you might need. They do not fit together.

Mr. KNUTSON. Will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Minnesota.

Mr. KNUTSON. The distinguished gentleman who is speaking was chairman of the subcommittee that held hearings on the renegotiation feature and he did a splendid job.

Mr. DISNEY. I thank the gentleman. He has always been constructively helpful, as a member of the subcommittee.

Mr. KNUTSON. At this point may I suggest it might be in order to tell the House that some concerns after renegotiation had 16 percent left, the big ones, while the little fellows were squeezed down to 3 or 4 percent after renegotiation.

Mr. DISNEY. That comes from government by man instead of government by law. Under the present Renegotiation Act, the situation is governed by men, different groups of men, and their best judgment. Some of the big ones got big returns and some of the little ones

got squeezed. It is one of those things you cannot prevent because you do not have a fixed system of rules. On this subject matter it is almost impossible to have an ironclad rule. Otherwise we could do the job by taxes. If a specific formula could be had the job could be done by taxes, but the variations are so great, the amount of business so great, that we could not find an exact formula for a tax statute on excessive profits. I have long contended that a contractor should be entitled to a definite profit on sales, with safeguards against excessive profits. In my opinion, a profit of 3 percent on sales would be fair to nearly every contractor and to the Government. Especially so, if that floor were coupled with a floor of the excess-profits-credit base against excessive profits.

Mr. KNUTSON. It is a vast improvement. As the law is now you have six different formulas.

Mr. DISNEY. Yes.

Mr. KNUTSON. We are going to operate under one formula in the event favorable action is taken on this bill.

Mr. DISNEY. Yes.

Mr. Chairman, we tried to find a definition for standard commercial articles. We were in earnest on this subject and we had many heated arguments, but no expert ever said he could define a standard commercial article. We did our best, and on page 106 there is a definition of standard commercial article. On page 127 we give the Renegotiation Administration discretion to exempt standard commercial articles when normal competitive conditions should return. We gave them a wide range of discretion there. There was a division of opinion amongst us, but a majority of the committee felt it best in the long run, with varied opinions, to permit the Renegotiation Administration to have the discretion to exempt standard commercial articles when in its judgment comparable normal competitive conditions should return, rather than provide for an automatic statutory exemption.

There is a general exemption on page 127, line 22, where the Renegotiation Administration may exempt contractors, big and little, as they see fit, from renegotiation when in its judgment competitive conditions justify so doing. As it is now they are required by the law to renegotiate virtually everybody and it makes a terribly onerous job. We have to give the people downtown credit for doing an honest, forthright, fair job on renegotiation—for in nearly every instance they have done so. Highminded men have left their work and their business at great personal sacrifice, they have engaged in this work and have done a fine job. There have been some exceptions that were annoying to the committee—where advantage was taken of the law as it now exists in the judgment of the committee.

On page 116 you will find that we have created a War Contracts Price Adjustment Board upon which is placed all of the responsibility for renegotiation. Under the present law this responsibility is divided between the War Department, the Navy Department, the Treasury Department, the Maritime Commission, the

War Shipping Administration, and the several subsidiaries of the Reconstruction Finance Corporation. Each one follows different policies and procedures in renegotiation. Each has different views as to what should be considered a reasonable profit in a particular case. Each has a different method of arriving at its determination of excessive profits. The amendments do away with these difficulties and centralize responsibility in one board. The board will be composed of representatives of the present renegotiating departments and agencies, appointed by the heads of those departments and agencies. In order to provide flexibility of administration and not disturb the close relationship between renegotiation and current pricing and procurement, the board is authorized to delegate its powers to the present renegotiating departments and agencies, with one exception: It is prohibited from delegating its power to finally decide when requested to do so by an aggrieved contractor or subcontractor.

The departments were not anxious for us to create this board, but after the suggestion was made by the subcommittee that we were going to create such a board, the departments themselves set up a central board consisting of men from each of the renegotiating departments, for the purpose of providing uniformity of principle and policy. The committee had the same general purpose in making provision for a board.

Great complaint has been registered by contractors against the present renegotiation proceedings, for they have not been able to find out how they were to be renegotiated, by whom they were to be renegotiated, why they were being renegotiated, or what the facts were upon which they were being renegotiated.

One amusing bit of testimony was that of a contractor from Georgia who was told that that information was secret criteria. Well, we disposed of the secret criteria in a hurry. We have required the board to make a written decision upon the request of the contractor, stating the facts used as a basis for its decision and the reasons why it decided that the contractor should return so much money. Then the contractor who feels aggrieved by the decision of the board may go to the Tax Court of the United States for a decision de novo, a new hearing, based on all the facts.

The Tax Court was chosen to perform this function for four principal reasons. The first is, that the Tax Court deals with very similar problems under the excess profits tax. The second reason for choosing the Tax Court is the fact that in it judges hold court all over the United States and hence the contractors will not have to come to Washington to be heard by the court. The third is that the use of one forum will bring about uniformity in the development and application of principles of decision; and the fourth is that a forum had to be chosen upon which Congress could impose the duty of deciding the nonjudicial question as to the amount of excessive profits, for the committee is aware that the standards it has prescribed for the

determination of excessive profits are too general and flexible to be applied judicially. Under the amendments recommended by the committee these standards do not have to be applied judicially since the obligation to refund excessive profits is made in all cases—as under the original Vinson-Trammell Act—a contract obligation of the contractor.

The CHAIRMAN. The time of the gentleman from Oklahoma has expired. Mr. DOUGHTON. Mr. Chairman, I yield 10 additional minutes to the gentleman from Oklahoma.

Mr. DISNEY. In my judgment, and in the judgment of the committee, I think, litigation in the Tax Court will be held down by the fact that the Tax Court may enlarge the amount of excessive profits against the contractor after he appeals. It has the right to make a new determination, and a higher determination than the board made.

When the contractor appeals to the Tax Court, there is no stay of the recapture of the money but, of course, a decision by the Tax Court in his favor would entitle him to a refund of amounts that had been recaptured.

We did not fix any cut-off date except at the termination of hostilities in the war. We discussed that to a great extent, but after all was said and done the composite judgment of the committee was that we should fix the date of the termination of hostilities as the cut-off date. Contracts entered into after that date will not be renegotiable.

Returning just a moment to the procedure before the Tax Court, the existing law requires renegotiation of contracts entered into before April 28, 1942, where final payment was not made before that date. The *Hornet* was renegotiated after it was sunk.

There was another unusual instance. A contractor made a model trailer, and then with that as a design manufactured several thousand trailers, and was paid for them in full prior to April 28, 1942. The present statute says that a contract upon which final payment has not been made prior to April 28, 1942, is renegotiable. The renegotiators renegotiated him because the specification model had not been paid for.

I do not believe there is a lawyer in this House but will agree that this retroactive application of the existing law is unconstitutional. But we were faced with this problem: Should the committee itself decide the constitutional question, recommend the appeal of the retroactive features, and by doing so require refunds to those whose excessive profits had already been recaptured, or should it simply give contractors the right to raise the constitutional question?

There are two methods which Congress might have constitutionally adopted for the recapture of excessive profits. One is the method which Congress chose when it enacted the Vinson-Trammell Act, under which the liability to refund excessive profits was made a contractual liability of the contractor, written into his contract at the time the contract was entered into. The other method is the

fixing by legislation of the measure of excessive profits or the prescribing by legislation of definite standards through the application of which by the renegotiation officials excessive profits might be determined in each individual case.

The second method can be used only if it is possible to work out a specific formula for the determination of excessive profits, or to prescribe standards definite enough to constitute a formula in their application to a particular case. As I have stated, this was not possible.

Obviously the first method could be applied only to contracts entered into after the enactment of the original renegotiation law on April 28, 1942. But as has too often been the practice in the last few years, Congress, looking only to the end to be achieved—and they are ends we are all seeking to achieve—cut constitutional corners, and sought to recapture excessive profits on contracts which had been made long before April 28, 1942, contracts which did not contain any agreement by the contractor to refund excessive profits, contracts which were binding obligations of the United States but which Congress, by its enactment of the renegotiation law, has attempted to repudiate. For making the present renegotiation law applicable to contracts entered into prior to April 28, 1942, was nothing but an act of repudiation. There is not a case to be found which even so much as hints that the application of the law to such contracts would be lawful, and there are countless cases which hold otherwise—at least two within the last 10 years.

The first is the case of *Lynch v. United States* (1934) 292 U. S. 571. That case involved a provision of one of the economy acts under which Congress sought to withdraw all rights of veterans of the First World War and their beneficiaries, under yearly renewable term insurance issued by the United States during that war, and also sought to withdraw the consent of the United States to be sued on such policies. In the course of its opinion holding that such action by Congress was unconstitutional, the Court, speaking through Justice Brandeis, said:

2. The fifth amendment commands that property be not taken without making just compensation. Valid contracts are property, whether the obligor be a private individual, a municipality, a State, or the United States. Rights against the United States arising out of a contract with it are protected by the fifth amendment (*United States v. Central Pacific R. Co.*, 118 U. S. 235, 238; *United States v. Northern Pacific Ry. Co.*, 256 U. S. 51, 64, 67). When the United States enters into contract relations, its rights and duties therein are governed generally by the law applicable to contracts between private individuals. That the contracts of war-risk insurance were valid when made is not questioned. As Congress had the power to authorize the Bureau of War Risk Insurance to issue them, the due-process clause prohibits the United States from annulling them, unless, indeed, the action taken falls within the Federal police power or some other paramount power.

The Solicitor General does not suggest, either in brief or argument, that there were supervening conditions which authorized Congress to abrogate these contracts in the exercise of the police or any other power.

The title of the act of March 20, 1933, repels any such suggestion. Although popularly known as the Economy Act, it is entitled "An act to maintain the credit of the United States." Punctilious fulfillment of contractual obligations is essential to the maintenance of the credit of public as well as private debtors. No doubt there was in March 1933 great need of economy. In the administration of all Government business, economy had become urgent because of lessened revenues and the heavy obligations to be issued in the hope of relieving widespread distress. Congress was free to reduce gratuities deemed excessive. But Congress was without power to reduce expenditures by abrogating contractual obligations of the United States. To abrogate contracts, in the attempt to lessen Government expenditure, would be not the practice of economy but an act of repudiation. "The United States are as much bound by their contracts as are individuals. If they repudiate their obligations, it is as much repudiation, with all the wrong and reproach that term implies, as it would be if the repudiator had been a State or a municipality or a citizen" (*Sinking-Fund Cases*, 99 U. S. 700, 719).

The second case is that of *Perry v. United States* ((1935) 294 U. S. 330). That case grew out of the attempt on the part of the United States to repudiate its obligation under the gold clause in bonds of the United States. In the course of its opinion, holding such repudiation unconstitutional, the Court, speaking through Chief Justice Hughes, stated:

In attempted justification of the joint resolution in relation to the outstanding bonds of the United States, the Government argues that earlier Congresses could not validly restrict the Seventy-third Congress from exercising its constitutional powers to regulate the value of money, borrow money, or regulate foreign and interstate commerce; and, from this premise, the Government seems to deduce the proposition that when, with adequate authority, the Government borrows money and pledges the credit of the United States, it is free to ignore that pledge and alter the terms of its obligations in case a later Congress finds their fulfillment inconvenient. The Government's contention thus raises a question of far greater importance than the particular claim of the plaintiff. On that reasoning, if the terms of the Government's bond as to the standard of payment can be repudiated, it inevitably follows that the obligation as to the amount to be paid may also be repudiated. The contention necessarily imports that the Congress can disregard the obligations of the Government at its discretion and that, when the Government borrows money, the credit of the United States is an illusory pledge.

We do not so read the Constitution. There is a clear distinction between the power of the Congress to control or interdict the contracts of private parties when they interfere with the exercise of its constitutional authority, and the power of the Congress to alter or repudiate the substance of its own engagements when it has borrowed money under the authority which the Constitution confers. In authorizing the Congress to borrow money, the Constitution empowers the Congress to fix the amount to be borrowed and the terms of payment. By virtue of the power to borrow money on the credit of the United States, the Congress is authorized to pledge that credit as an assurance of payment as stipulated, as the highest assurance the Government can give, its pledged faith. To say that the Congress may withdraw or ignore that pledge, is to assume that the Constitution contemplates a vain promise, a pledge having no other sanction than

the pleasure and convenience of the pledgor. This Court has given no sanction to such a conception of the obligations of our Government.

So I am convinced in my own mind, as I believe is every other lawyer in this House, that the retroactive application of the renegotiation law is an act of repudiation and hence unconstitutional. We have been told, however, that if we repeal the retroactive provision, the United States will have to refund to war profiteers almost a billion dollars. In my view this is not a sound argument. It is an argument based solely on expediency. If the Constitution is worth anything at all, it is worthy of the protection of the legislative department of the Government.

The plan worked out by the committee gives every man a right to assert his rights under the Constitution in case he avails himself of its protection.

The committee has provided that any contractor aggrieved by a determination of excessive profits under the old law, whether he was cooperative and signed a closing agreement or not, may have a review of that determination in the Tax Court of the United States and in the review have all issues, constitutional and otherwise, decided by the court. In my opinion, the Supreme Court will hold that Congress cannot constitutionally apply the Renegotiation Act retroactively and thus repudiate its own obligations.

Having arrived at the conclusion that those contractors who had been renegotiated on contracts prior to April 28, 1942, might have an appeal to the Tax Court, fairness compelled us to give this right to all contractors notwithstanding they may have signed closing agreements, so they all have the same right of appeal.

There might be a good deal of political argument on that subject but there is none at all about the legal question and none upon the question of substantial fairness, correctness in dealings, and right between citizen and citizen.

The new amendments are effective as follows: "The repricing provisions are effective from the date of the enactment of the act. The new provisions relating to matters required to be included in contracts and subcontracts are effective 30 days after the enactment of the act."

There are some retroactive features in the amendments. One agricultural exemption is retroactive to April 28, 1942. The departments want to be rid of these agricultural products and did not want to renegotiate those contracts.

The court review of old law cases is retroactive, too, as far as those cases are concerned.

In all other instances the new amendments apply only to the calendar year 1943 and subsequent calendar years, and to fiscal years ending after July 30, 1943, and subsequent fiscal years.

Mr. VORYS of Ohio. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Ohio.

Mr. VORYS of Ohio. On the matter of a post-war reconversion reserve, I have discussed that matter with some

businessmen and I wonder if there came up in the gentleman's committee the possibility of allowing 5 years in which to pay off an agreed portion of war taxes, just the reverse of the amortization plan in converting to war purposes. In that way the Government would get all of its war money but the taxpayer would be able to finance himself. Is that a workable proposition?

Mr. DISNEY. We did not consider that to the extent of drafting legislation on the subject.

Mr. REED of New York. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from New York.

Mr. REED of New York. I commend the gentleman on the very excellent work, and hard work, that he did on this very complex problem.

Mr. DISNEY. I thank the gentleman, but the hard work was done by the whole committee as well as the subcommittee.

Mr. MICHENER. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Michigan.

Mr. MICHENER. I concur in that, and add my commendation on the very splendid job the gentleman's committee has completed.

Reverting to renegotiation, as referred to by the gentleman, I have a letter today from a constituent presuming to know the facts, wherein he strenuously complains about the high and excessive profits being allowed war contractors. The gentleman has just held extensive hearings on war profits. What does he say as to the amount of profits being allowed in renegotiation of contracts?

Mr. DISNEY. They have recaptured and repriced several billion dollars in war contracts.

Mr. MICHENER. I am not talking about the amount, but are war contractors being permitted to make excessive profits out of war contracts?

Mr. DISNEY. Not after renegotiation they have not been. I really wonder whether or not enough money has been left to the contractor to employ these boys when they come back. We may be cutting too deep. I am not certain about that. The profits may look big at the time but the contractors must have money to employ these soldiers when they get back.

Mr. MICHENER. But there is nothing unusual, and no war millionaires are being made as far as the hearings show?

Mr. DISNEY. They get the money back, some great amounts of money. I think in one instance \$55,000,000 was paid back under renegotiation, and in another instance \$157,000,000. Immense amounts of money are paid back.

Mr. MICHENER. In other words, the gentleman's committee, through its taxing power or its power to recommend legislation concerning renegotiation, is seeing to it that formulas are written whereby there will not be war millionaires made out of this war.

Mr. DISNEY. I think so. I think the war millionaires that come out of this war, if they come out, will be people that did not have business with the Government.

Mr. KNUTSON. And there is the excess-profits tax that will take care of that.

Mr. DISNEY. Yes, admittedly the excess-profits tax under the 1942 Revenue Act would take care of from 70 percent to 80 percent of what they do get back by renegotiation.

Mr. KNUTSON. And then there is the personal income tax.

Mr. DISNEY. Yes, and the personal income-tax rates have reached enormous heights.

Mr. CARLSON of Kansas. Will the gentleman yield?

Mr. DISNEY. I yield.

Mr. CARLSON of Kansas. I would just like to state that the gentleman from Oklahoma [Mr. DISNEY] and the members of his committee are entitled to much credit for the great improvement they have made in this Renegotiation Act. I want the RECORD to show while it is not written in the bill we did seriously discuss reconversion problems. As a matter of fact we had the words "potential financial burden to reconvert" as one of the factors. But I do not think we violate any of the agreements or any of the confidences of the executive session if I state that this was stricken out at the insistence of the Department down below and not because the Congress or the committee did not want to consider it.

Mr. DISNEY. That is true.

Mr. GRANT of Indiana. Will the gentleman yield?

Mr. DISNEY. I yield to the gentleman of the Naval Affairs Committee who was on a subcommittee that held hearings on this same subject.

Mr. GRANT of Indiana. I know something of the deep study that the gentleman has given to the subject and I respect his opinion highly. I would like to ask him a question on a hypothetical case. Take the case of two corporations, corporation A and corporation B, both of them in civilian business, but corporation A converts into the business of making tools for war, and corporation B gobbles up the customers of corporation A, and thus, I contend, profits by the war. I would like to ask the gentleman what justification there can be for renegotiation of the firm that elects to go into the business of producing tools of war and not touching the firm that elects, by choice or otherwise, to stay on the outside?

Mr. DISNEY. Personally, I have not yet abandoned the idea, for some future time, at least, of working out a tax formula which would come more nearly treating every corporation alike.

Mr. GRANT of Indiana. Certainly, if I may pursue this just a bit further. After 2 or 3 years experience by the procurement officers and agencies of Government they ought to be in a position now, if they ever can do a reasonable and businesslike job in the matter of fixing prices, and they ought to be pretty soon at a point where a tax levy can do the job.

Mr. DISNEY. That is true.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. I yield 5 more minutes to the gentleman from Oklahoma.

Mr. CASE. Will the gentleman yield?

Mr. DISNEY. Yes.

Mr. CASE. I want to join with what the other Members have said as to the work that his committee and the subcommittee have done in working out amendments to the renegotiation statute. It is a baffling and difficult problem. It is not easy to handle this problem of repricing and taking away excess profits. The gentleman mentioned a provision that is made for the expiration of the power to renegotiate within the fiscal year or the end of the year from the time the renegotiation started. Is that protected against any stalling by the contractor in supplying information?

Mr. DISNEY. He is under a criminal penalty if he fails to supply information.

Mr. CASE. So that renegotiation can be completed within the year?

Mr. DISNEY. He can stall, but he will wish he had not.

Mr. NORRELL. Will the gentleman yield?

Mr. DISNEY. Yes.

Mr. NORRELL. Does the period of renegotiation continue until the end of the war has formally been declared or hostilities shall cease?

Mr. DISNEY. The termination of hostilities, and under the amendments Congress, by concurrent resolution, may fix the date when hostilities shall be considered as terminating for this purpose.

Mr. NORRELL. I am very much concerned about manufacturers not being able to retain enough, more than I am about the Government not being able to get a sufficient amount out of them.

Mr. DISNEY. I am not so sure but what you are right. I think these companies need money to hire these men when they get back.

Mr. NORRELL. We are paying these folks now good salaries to look into the contracts and determine what prices shall be paid. There is not a very great emergency that exists any longer, so I think we ought to get to the end of renegotiation pretty soon.

Mr. DISNEY. The committee looked into all phases of it and decided this way was better. There is nothing to prevent taking up the matter later.

Mr. HINSHAW. Will the gentleman yield?

Mr. DISNEY. Yes.

Mr. HINSHAW. Has the gentleman's subcommittee considered the case of a subcontractor, generally a small contractor, who has been prevailed upon to take some war job in which he was not previously experienced and which has resulted in a loss to him rather than a profit, and to make provisions for renegotiation of the contract upward to prevent such a loss?

Mr. DISNEY. That was considered. Mr. Patterson, Undersecretary of War, told us he had the right under the First War Powers Act to rectify such a condition, and in instances had made such adjustments. We deemed it unnecessary to amend, since they have and are exercising that power.

Mr. BUSBEY. Will the gentleman yield?

Mr. DISNEY. I yield.

Mr. BUSBEY. I was greatly interested in the remarks of the gentleman from Kansas. I personally believe this is one of the most vital subjects before the country today—that is, the matter of reserves for the reconversion period—and the businessmen of this country are particularly concerned about that.

I wonder if the gentleman could comment on that?

Mr. DISNEY. There is first a 10 percent post-war credit on your excess-profits tax. If you are a contractor, and on the termination of your contracts the departments are not liberal with reconversion problems, they will make a terrible mistake. We will probably have legislation on that subject of termination of contracts shortly so as to lay down some rules and standards for termination of war contracts.

Mr. BUSBEY. The question was, What can they look forward to at an early date along that line from the committee?

Mr. DISNEY. It no doubt will be the subject matter of legislation.

Mr. GAVIN. The renegotiators, I might say, seem to be cutting quite deep into the profits of the small industry, the small manufacturer, and he is greatly concerned as to whether or not he is going to have enough money left to reconvert his business in the post-war period. What relief or what recourse does he have to get the protection necessary to hold onto his business? From the letters I have received these renegotiators have been taking about everything that they have. Can the gentleman outline any plan of procedure whereby they can appeal their case, and, if so, to whom?

Mr. DISNEY. It is in the bill. Read the report and you will find it.

Mr. WICKERSHAM. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Oklahoma.

Mr. WICKERSHAM. I have a high regard for the gentleman's ability.

Mr. DISNEY. It is mutual.

Mr. WICKERSHAM. Has the gentleman considered or will you consider a provision in the tax bill to allow a reasonable deduction for the payment of insurance premiums to protect a man's family, and to protect his estate tax and his income tax?

Mr. DISNEY. That is another phase of the bill that I want to leave for others to discuss. Personally, I think a man ought to be permitted to secure life insurance, payable to the Government, for the future payment of his estate taxes. But the Treasury Department constantly defeats that proposal before the committee.

Mr. MONRONEY. Will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Oklahoma.

Mr. MONRONEY. As one of the most studious members of the Ways and Means Committee, could you advise what will be the attitude of the Democratic

members of the Ways and Means Committee in case the Senate succeeds in freezing the social-security tax?

Mr. DISNEY. I do not know. It is hard to anticipate that. I know some of the personal views of members on the committee, but I do not know what the conference will bring forth.

Mr. MONRONEY. The gentleman realizes it will be a rather irregular parliamentary procedure in which most Members would not have the right to speak on that question.

Mr. DISNEY. That is true, and that is what happens in legislative procedure.

Mr. MONRONEY. The gentleman knows that would result in a loss of revenue of \$1,250,000,000 that would go to the social-security fund?

Mr. DISNEY. Yes, I realize that, but it is hard to predict what might transpire as a result of the conference. We do not know what the Senate will do.

Mr. HARLESS of Arizona. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield.

Mr. HARLESS of Arizona. In this particular bill is there any provision made for these contractors who have been subject to renegotiation, and then have to pay the second windfall tax?

Mr. DISNEY. I know what you are talking about. That was the subject of discussion at the end of the hearings, and while the Committee agreed something should be done, it was not mechanically feasible at the moment, and we hope the Senate will act upon that. The Treasury has recommended it, but we could not get to it. The Treasury has recommended what you are talking about and what you want, and I am inclined to think the Senate will pass it.

Mr. WHITE. Mr. Chairman, will the gentleman yield?

Mr. DISNEY. I yield to the gentleman from Idaho.

Mr. WHITE. Taking into consideration the excess-profits tax and the other recapture clauses of the tax structure, does not the policy of renegotiation operate to put a premium on inefficiency, extravagance, and waste by contractors?

Mr. DISNEY. Well, yes and no. It depends. If we could find a tax formula, I would be for putting renegotiation out of the window, but we have not been able to evolve a tax formula, because the country needs these products of our industrial machine in a hurry. Perhaps you could make them at \$250. Maybe he could make them at \$400, and maybe I could make them at \$300. We had to have the guns. The disparity in circumstances (when speed was the first consideration) made it necessary for the procurement officers to get the goods and renegotiate afterward.

The CHAIRMAN. The time of the gentleman from Oklahoma has again expired.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from Ohio [Mr. JENKINS].

Mr. JENKINS. Mr. Chairman, I wish to compliment the Membership on their attendance this afternoon. With a very important holiday impending, and the discussion of what everybody knows is a

very dry subject, I think you do well to give such a fine attendance, and such fine attention. I indulge the hope that although I speak extemporaneously that I may be favored with a continuance of your attention.

Every tax bill is a difficult one. We have come to the place in our plans of taxation that causes us to stop, look and listen. We are now staggering under the most colossal debt that ever afflicted any Nation and we are increasing that debt at the rate of nearly \$200,000,000 dollars a day. I am not proud of this tax bill but I shall vote for it because we cannot in these stressful times throw up our hands and refuse to do anything to meet these obligations although we know that there has been gross and almost criminal negligence and waste in connection with these debts and obligations. This tax bill is difficult because we are scratching and scraping in every direction in an effort to get all the taxes we can without impairing and throwing our economic structure out of equilibrium.

This bill divides itself into four very distinctive parts.

First. Tax on personal incomes.

Second. Tax on corporations.

Third. Excise taxes.

Fourth. Renegotiation of contracts.

The tax on personal incomes has been increased and this bill will produce \$154,800,000 additional taxes. These taxes will come principally from an increase in the normal tax from 6 percent to 10 percent and from an increase that will result from the cancellation in the future of what is termed as earned income credit.

The tax on corporations will be increased, and it is estimated that an additional \$616,000,000 will be collected. This comes principally from the increase of the excess-profits tax from 90 percent to 95 percent.

The increases in the various excise taxes will amount to \$1,201,700,000 and an additional amount of \$166,800,000 from the increase in postal rates.

The estimated total increase in this tax bill from all sources will be \$2,139,300,000. This is not much of an increase in the face of the demands of the Treasury which called for an increase in taxation of \$10,500,000,000.

The Ways and Means Committee early in its deliberations decided that it would be impossible to raise the \$10,500,000,000 recommended by the Treasury, and the committee proceeded to write its own bill regardless of the demands of the Treasury.

It had been my purpose to take up the question of renegotiation of contracts before I went into some of the new features of the tax bill. I wanted to do this out of respect for the distinguished gentleman from Oklahoma [Mr. Disney] for a discussion of the renegotiation features of this bill would be in line with his discussion, which he has just closed.

But the page boys have brought in this blackboard chart which I expected to use in connection with these new features of the tax bill, and from the interest that you appear to be manifesting in this chart, I think that I had better

change my planned course and discuss one of these important innovations in this present bill. I hope that I may be able to have a copy of this chart appear in my remarks in the Record so that if you are at all impressed with it you may be able to make reference to it in the Record. I think there is no better way to understand the complications of a tax bill than by the use of illustrations on a blackboard. We use a blackboard in the discussions in our committee quite frequently, and we find them to be a great advantage in explaining complicated transactions.

Regular income tax (married man, 2 children)

Gross income.....	\$2,000
Assumed deduction of 6 percent.....	\$120
Married exemption.....	1,200
Dependents deduction, 2 children, \$350 each.....	700
	<hr/> 2,020

No tax.....

Minimum tax (married man, 2 children)

Gross income.....	\$2,000
Assumed deduction of 6 percent.....	\$120
Married exemption.....	700
Dependents deduction, 2 children, \$100 each.....	200
	<hr/> 1,020

Taxable..... 980

\$980 taxable at 3 percent, \$29.40.

Minimum tax under short form, \$29.

Victory tax under present law, \$38.50.

This tax bill has one very distinctive new feature about it. You will recall that a year or two ago we passed a law providing for the levy of the Victory tax. This Victory tax reached all salary and wage earners who earned more than \$15 a week. The Victory tax was found to be very complex and somewhat difficult to administer and it was decided by the taxing authorities and by your committee that it would be best to repeal the Victory tax and to supplant it with a more workable tax which would produce about the same amount of money. The Treasury recommended the abolishing of the Victory tax. If this had been done 9,000,000 taxpayers would have been relieved of any tax responsibility. This bill provides for the repeal of the Victory tax and as I have already suggested a substitution of what we call a minimum tax.

Let me briefly explain this chart. You will see that this chart is applicable to a married man, with two children, who earns \$2,000 per year. In the left hand box I compute the taxes that this man would owe under the regular income-tax law as it will apply when this bill is passed. You are all familiar with the fact that recent tax bills have carried what we call a "short form." Millions of taxpayers in the lower brackets pay their taxes on the short form. For those wishing to pay their taxes in that way an assumed deduction of 6 percent is allowed. In the case in point you will notice that the assumed deduction of 6 percent will amount to \$120.

The married exemption runs the same in this bill as in the present law, which

is \$1,200. The same deduction is allowed for dependents in this new bill as in the present law. In this supposed case, the deduction for two children will be \$700. The total of these deductions as you will see amount to \$2,020. From this you can see that the deductions amount to more than the income and there would be no tax if the same were computed under the regular income tax computations. In other words, this taxpayer would, if he were to follow what we call the regular income-tax plan, have no income tax to pay. But he is not going to escape a tax under this minimum-tax plan any more than he would under the Victory-tax plan.

Now let us turn to the second box which is captioned "Minimum tax." We use the same earnings illustration as in the first box, which is a gross income of \$2,000. We allow the same assumed deduction of 6 percent, which is \$120. This is supposed to cover the deductions of the average person for church and charitable contributions, and so forth. Now we come to the marital exemption under the minimum tax. This is only \$700. If it were for a single man it would be \$500. We must not confuse this exemption with the regular exemption in the regular income tax computation. This \$700 exemption is allowed only in the minimum-tax plan. The deduction for dependent children is also different in this minimum-tax plan. In this case the deduction allowed is \$100 for each child or a total of \$200 in this case. You will see that the total of these exemptions and deductions amount to \$1,020. That sum deducted from \$2,000 leaves the balance of \$980, which is subject to the minimum tax. The minimum tax in this case therefore would be \$29.40.

So it can be seen that from this chart under the regular income-tax law this person, whose income has been considered, would be relieved from any taxes but under this bill we come forward with the minimum tax plan which, as stated before supplants and takes the place of the Victory tax.

You will see from the report filed by the committee that there is a short form table which is applicable to this minimum tax just as there was a short form table applicable to the Victory tax, and so forth. Under this short form the minimum tax will not be \$29.40 as I have figured it but it will be \$29 as you will see at the bottom of the chart. I cite this to show that the figures in the short form charts are not figured out exactly to the penny but they are usually figures that are rounded out and in some cases a taxpayer loses a few cents and in another case he will gain a few cents. In this case, the taxpayer could easily figure out his own taxes according to the short form and you see that he would gain 40 cents thereby and in addition he would also escape the trouble of having to go to a tax expert to make out his tax return.

You will also notice that I have shown by this chart what the Victory tax would be for this same individual under the present law. It would be \$38.50.

Summing this whole matter up therefore, you will see that in the case that

I have taken for illustration, the man would be required to pay a tax of \$29, which is the tax under the short form, because under this bill we are considering today the taxpayer must pay a minimum tax if it exceeds what his tax would be under the regular income-tax computation. In other words, a taxpayer should follow the short-form computation made under the minimum-tax law but if he is not satisfied with that computation he may compute his taxes under the regular income-tax formulas. But he will be required to pay under whichever of these two formulas will produce the larger tax.

You will notice from this chart that the Victory tax computed under the present law in the same kind of a case as that illustrated would pay a tax of \$38.50.

Generally speaking the minimum tax will be a little lower than the Victory tax but in some cases it might not work out this way for the minimum tax has been set up to take the place of the Victory tax as nearly as possible but to relieve the taxpayer of many of the complications and inconveniences that have followed with the Victory tax.

Mr. CURTIS. Will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Nebraska.

Mr. CURTIS. Is it true that an individual with an income of \$2,900 would have less personal and family exemptions than an individual in the same family status who had an income of \$3,100?

Mr. JENKINS. No. All taxpayers of like marital status with like dependents have the same exemption if they are assessed under the same plan, regardless of how much their taxable income may be. There is a difference if they are assessed under different plans. They are allowed \$1,200 under one plan and \$700 under another.

Mr. CURTIS. I will state it another way. Is it true that the individual having an income of less than \$2,000 gets a smaller personal family exemption?

Mr. JENKINS. Oh, no. These exemptions stay the same to all if they are assessed under the same plan. If, as I have said, a person with \$2,000 income and is married with 2 children he will have a married man's exemption of \$1,200 and \$350 for each child under the regular income-tax plan. But if he comes under the minimum plan he will have a married man's exemption of \$700 and \$100 for each child. These exemptions will be the same if he has a \$3,000 income or a \$1,500 income.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 10 additional minutes.

Mr. COOPER. Will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Tennessee.

Mr. COOPER. If I caught the gentleman's question correctly, what the gentleman wants to know is whether or not the exemption for the minimum tax and for the income tax are the same. Is that the point?

Mr. CURTIS. Yes.

Mr. COOPER. They are not the same. The exemptions for income-tax purposes are \$500 for a single person and \$1,200 for married persons, with \$350 for each dependent. The minimum tax, which does not apply to anybody who is subject to an income tax, the exemption for the minimum tax is \$500 for a single person and \$700 for married persons instead of \$1,200, and \$100 for dependents instead of \$350.

Mr. JENKINS. His question was, as I understood it, whether or not there was any difference between the exemptions as the income went up. There is no difference between the exemptions as the incomes go up. If he decides to pay his tax under the regular income tax his exemption is \$350 per child and \$1,200 as his marital exemption. This is the same regardless whether his gross income is \$2,000 or \$3,000.

Mr. CURTIS. No one pays the minimum tax who would be liable for the income tax.

Mr. JENKINS. I forgot to tell you about this further feature. Whenever a man makes this computation, if it develops he is taxable under either plan he must pay under that plan which carries the greater tax. He cannot get out of paying under the minimum plan just because he may not owe a tax under the regular income-tax plan. Whichever one is the greater of the two computations he must accept.

Mr. CURTIS. He pays the greater?

Mr. JENKINS. The gentleman is right. He pays the greater.

Mr. Chairman, now I want to talk about renegotiation and I cannot do it adequately in a few minutes. Never before on the floor of this House have we had a complete discussion of renegotiation. Renegotiation is a comparatively new proposition from a legislative standpoint. It first came up for consideration a little more than a year ago. We have never even had a true consideration of it in the Ways and Means Committee until this year. This is a legislative matter that did not originate in the House. The Senate added an amendment onto a House bill. The central idea in the renegotiation law was first furnished by a Member of the House, and the idea was then taken up in the Senate and an amendment was added to House legislation. It was the gentleman representing a Midwestern State who first proposed the idea. I refer to the gentleman from South Dakota [Mr. CASE]. He is the real author, he is the man who furnished the first germ of thought out of which this program has grown. Since this matter has never been adequately discussed in this House it is unfortunate that we must crowd it so fast today. What do we mean by renegotiation of contracts? We mean that in 1942 Congress enacted legislation that provides that in cases where the Government has made a contract for the production of materials or food which the Government needed to carry on the war that in case there was excessive profits coming to the contractor or subcontractor the Government could renegotiate such contracts with the purpose of recapturing some of these excessive profits. We are all in favor of

preventing war millionaires, but we must take these profits legally and according to the Constitution.

Here is a provision of the law that has been the base of much confusion and I think much unjust and illegal actions. Give attention as I read:

(6) This subsection (c) shall be applicable to all contracts and subcontracts hereafter made and to all contracts and subcontracts heretofore made, whether or not such contracts or subcontracts contain a renegotiation or recapture clause, unless (1) final payment pursuant to such contract or subcontract was made prior to April 28, 1942.

Those who sought to enforce the renegotiation law proceeded to renegotiate contracts which contained no renegotiation clauses and contracts on which the rights of the parties had all been established before the renegotiation law was passed. They sought to violate contracts duly entered into before the law under which they were set up as a board or group to do renegotiating. I maintain that this was unconstitutional and absolutely unjustifiable.

Why do we need another renegotiation law? We have this law of last year. I will tell you why we need it. Because it has been administered so shamefully. It has been little short of a national disgrace the way the law has been administered. To what do I allude, you ask? What did they do to call for such a castigation from me? For days and days, before our committee, fine American citizens from all over the Nation, contractors and businessmen, came in and poured out before us their complaints against the arrogance and the tyranny of these individuals who sought to carry on these renegotiations. Out of that has come this new proposal. We here propose to amend the law of last year. This bill before you is far from perfect; it is not nearly as good as I would like to have it, but it is the best we can do under the circumstances. In it are some provisions I should like to have seen omitted. And there were some provisions that I thought would have strengthened the bill greatly that I and others who agreed with me were not able to have included.

If anybody should ask you what is the main fault with this bill I think you should say to them that the main fault is that it still gives too much discretionary power to those who are to carry on the renegotiations. We attempted many times to write into the bill strong and unambiguous language that would compel fair dealing on the part of those carrying on these renegotiations but we were thwarted and checkmated by those who had brought down upon their heads the anathemas of so many sorely aggrieved Americans who had been unjustly imposed upon. I am not defending any thieving contractor who might have been defrauding the Government. I think such men should be made to disgorge and should be punished criminally if possible. I am only interested in seeing a man who contracted openly with the Government be governed or treated openly by the renegotiators.

Now let us see what we propose to do by way of amending this law under which

so much injustice has been done. In the first place we establish a cut-off date beyond which this renegotiation business cannot run. These fellows cannot run on forever. This bill under consideration provides that no renegotiation shall be had on contracts entered into after the end of the war.

Another provision of this bill tends to curb the activities of these energetic gentlemen. I refer to the provision which raises the limit from \$100,000 to \$500,000. This will permit some of the little fellows to escape. It will let most of the little contractors out. Although the departments at first indicated their approval of this change I understand that they now see that some will escape their clutches and wish this provision were omitted. Personally I was not strong for this change for I feel that anyone who has been unjustly enriched should pay up regardless of whether the amount of his contract was \$100,000 or \$500,000. I support this change because I feel it is best to play safe against those who have shown a disposition to be unfair.

One of the most salutary provisions of this new bill is that provision which sets up a fair court review. Bless your life, when these so-called renegotiators went into a contractor's office and said they were going to negotiate, about all they would do would be to find out what the businessman's bankbook showed and then they proceeded to demand about all he had. Evidence before our committee and information that has come to us individually will convince any fair-minded man that threats open and covert were made in many cases and that many men paid out millions of dollars without knowing how the renegotiators based their demands. Under the old law the contractor had no relief. He had no recourse and when he asked for a bill of particulars as to why he was being required to pay a large sum of money, he was told that he had better pay and pay quick else his money would be withheld and he would get no more contracts. And when he asked to be permitted to take his case up with Washington he was admonished that he would be far worse in Washington. And as a fact I think those who came to Washington fared worse than those who quietly submitted to the tactics of would-be officers of the law.

That is about the way they dismissed people. It was a national disgrace. I do not make this statement as a partisan Republican. I know that many, if not all, of the members of the Ways and Means Committee on both sides agree with me. I have heard many of them express themselves. I want to give credit to them and to others who were able to come right out in their own dignity and American citizenship to assert themselves and say, "This thing must stop." Now we are trying to stop it. To this end we provide a court review. Most of those who complained were anxious for a court review of some kind. What we provide in this bill is not perfect but it is a great step in the right direction. We provide that a central board of five

members be set up. These men are to be selected from the departments of the Government which enter into these contracts. I preferred that they be civilians from among businessmen and that they be appointed by the President. But it was thought best since this was to be a temporary board that it be constituted much as the board is now set up. I hope that none of those on the present board will be reappointed. They should be cleaned out. This bill provides that this board set up rules of procedure so that the public may know what to expect. The board should do this at once and notify every contractor of his rights under these renegotiation proceedings. If this is done contractors may then know their own rights and will know that they are not bound by the inspectors who come to see them. This board will also be charged under this law with the duty of hearing aggrieved contractors who are not satisfied with the decision of the inspectors. This board is expected to deal justly and is supposed to know that Congress expects that the star-chamber proceedings of the past must not be carried on in the future. This board has a great opportunity to redeem itself. A strong board imbued with a sense of fairness could carry this work on to the satisfaction of the contractors and to the financial benefit of the Government. If they clean house and convince the contractors and the public that they want to be fair most all of these renegotiation matters will be disposed by them and no further appeal will be made by the contractors.

For fear that the Board will not take the fair and conciliatory attitude that the task requires, the committee has provided in this bill that the aggrieved party may carry his case to the Court of Tax Appeals for a review. This court will then hear the matter de novo, as the lawyers would say. That means the tax court would hear it all over from the beginning.

To summarize, the contractor can go to the Board to review the findings of the investigator, and he can go to the tax court if he is not satisfied with the Board's decision. Let me say to you that already the investigators and the Board have awakened to the situation and there has been a decided improvement in their attitude toward the performance of their duties in a courteous and just manner.

There is one feature of this bill that my good friend the gentleman from Oklahoma [Mr. DISNEY] touched lightly. This is a very important matter. I think that he and I agree on it completely. I refer again to the matter of the unconstitutionality of the retroactive features of the present law. As I have heretofore stated the present law went into effect on the 28th of April 1942. The Supreme Court has repeatedly held that contracts create property rights that cannot be violated by retroactive provisions of laws subsequently passed. The fifth amendment of the Constitution provides that property cannot be taken except by due process of law. What is due process of law is not yet in this country properly determined by bureaucrats. That is

strictly a judicial function and it is for the courts to determine and I know that these bureaucrats act as though they own the Supreme Court, but I think this Court will uphold such a long line of illustrious decisions that have been handed down on this question.

Personally, I should like to see this bill cut off with April 28, 1943. But what have these renegotiation authorities done? They have taken millions and millions of dollars out of people illegally and unconstitutionally. Some of those whom I think are among the chief perpetrators sat before us in our committee and acknowledged that they might have done so. They have taken millions and millions of dollars from contractors. Some by renegotiation and some by agreement. This raises a serious question. Shall we speak up boldly and compel restitution because of the question of constitutionality or shall we give to the aggrieved parties the right to appeal. It we would take the course that right and justice would dictate we would encourage all those who have been thus renegotiated to demand refunds. But since many of them have signed agreement settlements probably the best policy would be to side-step the constitutional question and permit all these contractors to appeal their cases if they wish to do so. That would include those who have settled and paid as well as those who have not settled or been renegotiated. Someone might say "That man ought to stick to his agreement." I say "no." He ought not to be compelled to stick to his agreement, because he had no chance to know his rights and because over here is his neighbor with the same kind of a contract who has not yet been renegotiated. That neighbor is going to get the benefit of the provisions of this new law. The other man should have the same chance. I say to you that that man who was renegotiated, figuratively at the point of a gun, ought to have his day of freedom, his day in court, and he ought to be permitted to take advantage of this law if he wants to do so.

Mr. GRANT of Indiana. Mr. Chairman, will the gentleman yield?

Mr. JENKINS. I yield to the gentleman from Indiana.

Mr. GRANT of Indiana. With reference to the right of appeal de novo to the Court of Tax Appeals, I commend the subcommittee for writing that provision into the bill; but on the further matter of which the gentleman speaks, to me the gravest omission in the bill as presented to the House is the failure to say in no uncertain terms that the bill shall not apply to contracts that were made and the goods delivered under it before April 28, 1942, because the gentleman, who is an able and distinguished lawyer, has just said that it is plainly unconstitutional as to those cases. Some of these days somebody is going into court and this whole thing is going to be declared unconstitutional, without a separation of that part before the effective date of the law, and chaos and confusion will follow.

Mr. JENKINS. I agree absolutely with what the gentleman says. Arrogance

and tyranny carried on by bureaucrats under the guise of patriotism is not safe and not for the best interests of the country.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the distinguished gentleman from Georgia [Mr. VINSON].

Mr. VINSON of Georgia. Mr. Chairman, I want to take this opportunity to pay tribute to the distinguished chairman of the Ways and Means Committee, our beloved friend the gentleman from North Carolina [Mr. DOUGHTON], and to every member of that great committee, for their fair and intelligent approach to the important question of renegotiation and the equitable manner in which it has been handled, from the standpoint of both the Government and the contractor.

The great chairman and his able committee are entitled to the thanks of the House for having presented to us a greatly improved statute dealing with renegotiation. Conflicting views were reconciled. They have done a good job under most difficult circumstances, and a careful analysis of the bill will readily cause anyone who studies it to conclude that it protects the Government and at the same time is fair to the contractor.

The Committee on Naval Affairs, as the Ways and Means Committee has generously noted in its report, has been concerned for many years with the problem of controlling profits on war contracts. This concern led to a series of public hearings, which disclosed huge war profits already being made on war contracts only a few months after Pearl Harbor, and finally resulted in Congress enacting the renegotiation law in an effort to control such profits. From the very first there has been much discussion as to the manner in which the renegotiation law was being administered by the departments, and there has been pressure for its repeal.

The interest which the Committee on Naval Affairs has always had in the expanding procurement program of the Navy, and the responsibility which we have necessarily assumed for that program, naturally caused us to be aware of these discussions and this pressure. We concluded that the questions which had arisen were so grave as to require an investigation by us into renegotiation, and its administration by the Navy Department and the other departments which were given responsibility for the operation of the law. We made a careful study of this, and held lengthy hearings, at which representatives of the Navy Department and of the other agencies, as well as a cross section of business, testified. Subsequently, the committee filed a report with the House, in which all of the questions which had been raised were thoroughly explored. The committee print of this report was made available to the members of the Ways and Means Committee prior to the time that that committee's hearings on the same subject began.

The Ways and Means Committee, in the report which is now before the House, came to three general conclusions with

respect to renegotiation. It concluded, first, that the law should be continued, with amendments, until the termination of hostilities. With this our committee is in agreement. After a thorough examination of the question, we came to the conclusion that renegotiation plays so important a part in the obtaining of the necessary articles of war at fair prices to the public its repeal would be unthinkable for the duration of the war.

Second, the Ways and Means Committee concluded that there is just ground for complaint about the existing law and its administration, particularly as applied to the small contractor. As one of the amendments designed to relieve the cause of such complaint, the Ways and Means Committee has recommended that an amendment be adopted exempting from renegotiation contractors whose annual renegotiable sales do not exceed \$500,000. We, too, felt that some hardship cases had occurred, but we felt that a recurrence of them could be prevented by a more extensive use by the departments of their powers under the law to exempt by administrative action contracts which were not susceptible of excessive contracts, rather than by statutory exemption. While this recommendation of the Ways and Means Committee was disapproved by a majority of the Naval Affairs Committee, I feel that it should be accepted in the interests of harmony. While it is not exactly what we favored, its purpose is good and it should be effective in preventing hardship to smaller contractors.

The minority report of the Ways and Means Committee goes much further, however, in its findings as to the hardships imposed on contractors by renegotiation than do the majority reports of either the Naval Affairs Committee or the Ways and Means Committee, or, in fact, than the minority report of our committee. The minority report of the Ways and Means Committee says:

The testimony before both committees is replete with instances where those administering the renegotiation law have been arrogant, high-handed, and even tyrannical in dealing with contractors and subcontractors. The powers given them have, in a number of instances, been abused. They have discriminated as between different contractors, allowing one a greater percentage than another under the same or similar circumstances. Also they have used duress, direct and implied, in order to secure the submission of contractors and subcontractors to their findings. No review of their decisions by the courts has been permitted. Countless numbers of contractors have been harassed, and their war work interfered with, by having to go through the renegotiation process only to be given a clearance in the end, though at considerable expense to themselves.

I am not as familiar with the record before the Ways and Means Committee as perhaps I should be. I am familiar, however, with the whole record of the testimony before the Naval Affairs Committee. When the minority report of the Ways and Means Committee says that the record of our committee is replete with testimony of the character indicated, it is entirely contrary to the facts. Members of our committee made

a point of inquiring of witnesses who appeared as to the manner in which they had been treated by the renegotiators. Without exception, the witnesses who came before us testified as to the fair and equitable manner in which the members of the Price Adjustment Boards had dealt with them, and praised them for the competent and fair manner in which they performed a difficult assignment. Our finding of fact as to the fairness and competence of the Boards was unanimous, and our record bears no evidence upon which the statement in the minority report of the Ways and Means Committee can be based.

Nor is there any valid basis for the statement in that minority report that the Boards did not permit review of their decisions by the courts. If there has been any limitation on the right to appeal to the courts, that limitation has been found in the statute itself, and not in the activities of the departments. For the very reason that the present law is not clear as to the existence of a right of appeal to the courts, both the Ways and Means Committee and our committee have recommended the insertion of a provision in the law specifically conferring the right of appeal. We only differ as to the kind of an appeal that should be allowed. The Ways and Means Committee has recommended that review of the Board's decisions shall lie in a *de novo* proceeding before the Tax Court. While I am of the opinion that an entirely new hearing by the Tax Court, after the Board has already tried the case and handed down its decision, is wasteful of both public funds and manpower, the important thing is to assure some form of judicial review of the departmental decision. So long as judicial review of some sort is provided for, I am not disposed to quarrel over the form that that review will take. Accordingly, I urge that the Ways and Means Committee's recommendation in this respect be adopted.

The report of the Ways and Means Committee, in its third general conclusion, recommended that certain changes in the law should be made to make it more workable and equitable. Thus it recommends an amendment requiring the filing by all contractors of financial information with the Board. Our committee also urged such an amendment, finding that it was necessary to the efficient operation of the law.

The report of the Ways and Means Committee, as well as our report, concluded that it was only equitable that the contractor should be informed as to the facts upon which the determination of excessive profits is made, and of the reasons why the Board came to the conclusion that it did. The proposed bill would require the Board, upon the request of the contractor, to furnish such a statement to him. The absence of such a requirement was one of the principal defects in the original law, and I think it important that this defect be cured now by the prompt adoption of this recommendation.

Under the old law, there was no fixed time within which the departments were

required to end a renegotiation proceeding once it had been begun. It could drag on indefinitely. This seemed to us unfair, and we recommended that some limitation be placed in the law. The Ways and Means Committee has proposed that the Board be required to bring a renegotiation proceeding to a conclusion within 1 year after its beginning. This is an excellent amendment and should be adopted.

Another defect in the old law was that excessive profits were defined as excessive profits. No standards were placed in the law which the departments were required to follow in the determination of what were excessive profits. Our committee felt that it was essential that such standard be written into the law, and on this point the Ways and Means Committee concurred. The standards which have been proposed in the bill now before the House are, in the language of the bill itself, similar to those which I proposed in the bill which I introduced. They were designed to lay down definite guideposts for the Board to follow, and yet to give the administrators a certain amount of needed flexibility in the operation of the law. While I agree with the bill itself, I am somewhat disturbed by language in the committee report, wherein it is said that—

Your committee believes that in computing excessive profits consideration should be given to the financial problems in connection with reconversion in applying factor (g).

The evidence before our committee indicated very clearly that the problems of post-war reconversion, though very real and requiring prompt action by Congress, were not susceptible of solution through renegotiation. I am afraid, unless there is clarification of this point, that the language in the committee report may furnish some basis for construction by the courts of an intent on the part of Congress to make allowances for post-war reconversion in renegotiation. As one Member of the House, I do not mean my vote to indicate that. If allowances for post-war reconversion are to be provided through renegotiation, then it should be done by direct language in the bill, and not by the committee report. Apart from this one qualification, I favor the adoption of the standards laid down in the committee's bill.

The Ways and Means Committee has also recommended that the function of renegotiation should be centralized in one new board, rather than in the departments themselves. Our committee, in considering the problem, recognized the desirability of having a uniformity of approach on the part of all engaged in renegotiation. We felt that this already had been attained by the voluntary and informal coordination which the departments engaged in renegotiation had achieved. It was our thought that the creation of a formal joint board would do no more than formalize an arrangement which already existed. I see no real objection to the creation by statute of such a board, since one already exists by the voluntary action of the departments. And since the board is to be composed of persons selected by the

heads of the procurement agencies to whom the board's powers of renegotiation may be delegated, the proposed arrangement preserves the close relationship between procurement and renegotiation, which is one of the chief values of renegotiation. Accordingly, that amendment should also be enacted.

The report of the Ways and Means Committee also recommends the adoption of an amendment authorizing the board to exempt from renegotiation contracts for standard commercial articles, where it appears that competitive conditions affecting the price of such articles already exist. This amendment merely spells out in greater detail a power of exemption already enjoyed by the departments. Since it does not require, but merely authorizes, the discretionary exemption of certain contracts in circumstances where fair prices will be obtained without the need of renegotiation, it does no violence to the principle of renegotiation, and should be adopted.

With the principal conclusions and recommendations of the Ways and Means Committee I am in agreement.

Mr. MICHENER. Will the gentleman yield?

Mr. VINSON of Georgia. I yield.

Mr. MICHENER. The gentleman knows much about this subject. His committee has gone into it extensively. What can you tell the House as to the amount of profits being allowed under Navy war contracts?

Mr. VINSON of Georgia. I can say to the distinguished gentleman from Michigan that we have recently made a complete analysis and an audit of every ship, and by using the words "every ship" I mean a combatant ship that has been delivered to the Navy, that has been finished, the contract closed, and it has been delivered to the Navy. The result of that shows that after renegotiation and before taxes, the prevailing profit made by the shipping industry per ship, each one by its name, has been running anywhere from 2 to 3 percent.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. I yield 5 minutes to the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman and members of the committee, I am not going to take very much time in dwelling on the bill except to say I shall vote for it, I suppose, in the hope that it will prove to be more of a revenue measure than a relief bill. Under the circumstances, the bill constitutes the best effort of the committee. It is not my bill; it is not the bill of any individual Member. I do not think it is necessarily the majority or the minority bill. I think it is the composite work of the committee, and under the circumstances the best that can be had at the present time. I thought possibly the bill might extend a little beyond the figures which it is expected it will produce, but that was not possible, and my views did not prevail. As a consequence the bill is a little short of what I thought was proper. I advocated, as you recall, saving half and raising half of what the Treasury

requested. But here we have a bill of upward of \$2,000,000,000 and I still think, even according to present-day calculations, \$2,000,000,000 is an awful lot of money, especially so when you tack it on to what the taxpayer is expected to contribute already. This is an additional amount and will mean that ultimately the taxpayers of the United States will be called upon to pay \$45,000,000,000 to \$47,000,000,000.

Mr. MICHENER. Will the gentleman yield?

Mr. DINGELL. I yield to the gentleman from Michigan.

Mr. MICHENER. My colleague has suggested that his thought was that we should raise half of the amount asked by the Treasury and save half. I take it, then, my colleague believes there can be saved today in Government expenditures one-half of \$10,500,000,000 a year?

Mr. DINGELL. I think that is correctly stated, provided we get ourselves into the right frame of mind as to what the sources are where this money can be saved. I do not think on the ordinary running expenses of the Government you can save that amount without wiping out all of the running expenses allowed for the conduct of the various agencies. But you can save it, for example, with the Army, with the Navy, and probably in the construction of the merchant ships. There is an awful lot of latitude and maybe looseness, as I think I brought out in the discussion with the Budget Director before the committee, and only recently we find that the Army did disgorge \$13,600,000,000 previously appropriated. I hope whatever I might have said at the time to the Budget Director ultimately reached the Army and might have had some effect in bringing about this voluntary return of unexpended money. As the gentleman from Michigan [Mr. MICHENER] knows, the Army and the Navy, I believe, have appropriated and have before them, or did have at the time I examined Mr. Smith, the Budget Director, \$206,000,000,000 appropriated and allocated and unallocated, or as he stated, committed and uncommitted. That amount at the current rate of expenditure of \$7,000,000,000 per month was to carry the Army and Navy for upward of 29 months. In my estimation that amount of money piled up ahead of the spenders encouraged looseness. It encouraged the purchase of the entire salmon production, so it was stated in the newspapers. It encouraged the purchase of the entire sauerkraut pack. It encouraged the expenditure of \$72,000,000 for the Pentagon Building, when we in Congress allowed but \$32,000,000. It encouraged the construction of 27 bridges near the Pentagon Building; the construction of 40 miles of roads; the obliteration of one or two lakes in one spot out there and creating a new lake in another spot. It also encouraged the alteration of the entire northeastern section of the State of Virginia in connection with this project, and it encouraged such loose practice as to cause in Michigan recently the sale of \$1,400,000 worth of standard tools which were

sold as junk for \$40,000 and then permitted these same people to sell back these standard tools to the Government.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DINGELL. I ask for 5 additional minutes.

Mr. DOUGHTON. I yield 5 additional minutes to the gentleman from Michigan.

Mr. DINGELL. And it permitted these same purchasers of those standard tools to sell them back to the United States Government as new tools. In addition to that it encouraged the sale of a lot of new machinery and equipment down in Arkansas as junk or surplus material, when it was not surplus at all. Only recently we see where there is \$130,000,000 expended for an oil pipe line or something or other up in Alaska that may or may not be justified. My aim all the way through has been to try to save money that is being loosely spent and that would have nothing to do whatsoever with the war effort.

Mr. MICHENER. I want to congratulate my colleague, the gentleman from Michigan [Mr. DINGELL] on the statement he has just made because he is an outstanding leader in his own party.

Mr. DINGELL. I thank the gentleman.

Mr. MICHENER. If I had made that statement, it might have been charged that it was a partisan statement. But we will all be glad to read the gentleman's statement as it is, because it is true and it is fearless, and I am glad we are to have the cooperation of the distinguished gentleman from Michigan in an endeavor to stop this wasteful and needless expenditure of public money.

Mr. DINGELL. I thank the gentleman.

Mr. MANSFIELD of Montana. I would like to ask the distinguished gentleman a question on a particular part of the bill before us for consideration today. I have received a number of communications from small independent motion-picture theater operators in my State, calling my attention to the fact that the theater tax has been raised 100 percent. Will this tax be paid by the owners of moving-picture houses themselves or by the people who buy the admission tickets?

Mr. DINGELL. It will be paid by the purchaser of the admission tickets. I might say it was originally proposed at 200 percent, but the committee cut it in two. However, the tax is expected to be paid by the purchasers of the tickets.

Mr. MANSFIELD of Montana. Does the committee feel that this is going to increase the revenue considerably?

Mr. DINGELL. We were quite satisfied that that would not injure the revenues; that there would be no diminishing returns, and that the industry, under the circumstances, could well stand the increase.

Mr. MANSFIELD of Montana. I was thinking of the people who pay this tax. Does the gentleman think that this will discourage attendance and bring about less tax receipts from that source?

Mr. DINGELL. I think I answered the gentleman that there will be no decrease in the volume of revenues.

Mr. COOPER. Will the gentleman yield?

Mr. DINGELL. I yield.

Mr. COOPER. My recollection is that the increase in revenue is estimated at about \$163,000,000.

Mr. DINGELL. I thank the gentleman, and I yield now to the gentleman from Arkansas.

Mr. NORRELL. I cannot support any bill that provides exemption for married men with an income in excess of \$2,000 in one amount, and children in the amount of \$350, and then have those with incomes less than \$2,000 only receiving exemption of \$700 for a wife and \$100 per child. Is that provision in this bill?

Mr. DINGELL. I am not going to go technical in my answer to my friend. I will say this to him, that I am in entire accord with him with regard to exemptions. If there is to be any preference shown, I feel exactly as the gentleman feels about married men with children in the lower brackets. The greatest consideration should be given there. However, the committee did the very best it could under the circumstances.

Mr. COOPER. Will the gentleman yield?

Mr. DINGELL. I yield.

Mr. COOPER. As one who has had the privilege and pleasure of serving on the Ways and Means Committee for many years with the distinguished gentleman from Michigan [Mr. DINGELL] I just want to testify to the fact that he has been the leader throughout all the years in insisting upon more generous exemptions for dependents.

Mr. DINGELL. I thank the gentleman for his observation.

Mr. BREHM. Mr. Chairman, will the gentleman yield?

Mr. DINGELL. I yield.

Mr. BREHM. Can the gentleman tell us what is the maximum income which a person may have and still come under the minimum tax payment, as explained by the gentleman from Ohio [Mr. JENKINS]?

Mr. DINGELL. I do not have the report before me, but I think that is pretty clearly covered in the report of the committee.

Mr. MILLS. If the gentleman will turn to pages 18 and 19 of the committee report, that information is set out in detail.

Mr. DINGELL. I thank the gentleman.

The CHAIRMAN. The time of the gentleman from Michigan has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield the gentleman 3 additional minutes.

Mr. DINGELL. Mr. Chairman, I ask unanimous consent to proceed out of order for this 3 minutes.

The CHAIRMAN. Is there objection?

There was no objection.

Mr. DINGELL. Mr. Chairman, in analyzing the action of the House on yesterday which placed the stamp of approval upon devastating and unrestrained inflation, I deduct from the cold

and merciless figures a clear and unchallengeable result which places the stamp of inflationist upon the Republican Party of this Nation. The figures do not lie—and they cannot now be expunged from the RECORD.

The so-called sound-money party has gone berserk, has become the inflationist party, doing everything possible to bring down the value of the American dollar to the low level of the depreciated German mark of the era which followed the last war.

The figures gleaned from the RECORD show that 178 Republicans voted for inflation and were joined by 98 Democrats and 2 minority party members for a total of 278.

Against this attempt to scuttle the dollar and the wrecking of the Nation Democrats cast 100 votes, while Republicans cast only 15, with minority party casting 2, for a total of 117 votes.

Every Republican in this House except 15 voted for unrestrained decimating inflation, for the total depreciation of the American dollar, for blowing the lid off, and for high prices. By their vote in the House yesterday the Members threw to the hungry wolves of inflation more than three-fourths of our population.

In industrial Michigan where the ratio of urban-industrial population is even greater than the rural-agricultural average of the Nation, you can well appreciate the injustice to the consumer. What is the explanation for this deliberate and menacing move? Politics is the answer, catering to the spokesmen for the organized minority farm group. The Republicans must have forgotten their teachings of past years about sound money, and that the Nation and Michigan are preponderantly urban-industrial. Throwing the worker in the cities to the wolves at this critical time is not going to aid the Republican Party—it will haunt and destroy it.

This concerted action was not spontaneous—it was prompted by the party. If you believe that you can fool the vast majority of the people by your action here yesterday, you are mistaken. The inflationist label will show through your party emblem. You will not be able to obliterate or cover it when talking to your people.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentlewoman from Ohio [Mrs. BOLTON].

Mrs. BOLTON. Mr. Chairman, it is my intention to bring to you one of the provisions of this law—section 106—which deals with personal exemptions and credit for dependents.

On page 16, line 13, of the bill as now presented under "(b) Credits for minimum normal tax, subparagraph (D)" there is this provision. I quote:

Married person living with husband or wife: In the case of a married person living with husband or wife, if a joint return is filed or if one spouse has no gross income, a personal exemption of \$1,200; or if each has a gross income and no joint return is filed, a personal exemption of \$500. If a joint return is filed, the husband and wife shall receive but one personal exemption of \$1,200 in the aggregate.

Again, on page 17, line 18, "Credits for minimum normal tax."

On the face of it it looks innocuous enough, perhaps, but on second reading the thoughtful person immediately sees the implications. Here is the whole matter of mandatory joint returns up again, and so camouflaged that most people fail to connect the section I have just read with the determination of the Treasury to force upon the people this wholly distasteful and unwarrantable tax provision.

Time and time again the Treasury has attempted to bring about the passage of this mandatory joint returns for husbands and wives living together, men and women carrying the responsibility of keeping alive the heart of American life and freedom—the home. Each time the people of the country have expressed themselves, and each time the Treasury effort has failed. The sentiment of the country has not changed. Indeed it is probable that there is increasing awareness on the part of both men and women of the implications of a law of joint income-tax returns. Women are particularly aware of the dangers lurking in the shadows. They know that it is a deliberate attack upon their individual property ownership rights and of their rights to individual incomes. Men sincerely interested in the security and independence of the women, both within and without their own families, should be equally alert to the situation.

I have said that the Treasury Department has so far failed to impose this procedure upon the people openly, now they resort to new methods—methods that cover their grim purposes with incentive payments.

To put the section of bill into simple language. If a woman protects her individual right to own property and to have an independent income she is penalized. She must pay an income tax of \$500.

Her husband, too, if he respects her as a person, must pay more than if both of them agreed to abrogate so much that women have struggled to obtain and to return her voluntarily, mind you, to the status of chattel.

A \$200 bonus will be given for this voluntary retrogression—this reacceptance of servitude. Oh, no, they do not have to file a joint return, but \$200 is a lot of money these days, particularly when you have children. It may tempt many.

And what about another angle? Can the Treasury do without these many \$200 items? It was my idea that increased taxes were sorely needed, and that the committee has felt the people were being pretty heavily squeezed. Why should this special amount be remitted when over and over the people have declared themselves against it. Do the people know now? Is the Ways and Means Committee itself fully aware of what has been tucked away in the pages of this bill?

Let me bring to your attention the procedure of the committee as I understand it.

The committee ruled that no testimony would be taken in open hearings relative to mandatory joint returns. This barred all opponents from expressing their views—it barred all women. The reason given was that the committee had heard all necessary evidence in previous open hearings. These hearings, if I remember correctly, were held in 1942. Since then the membership of the committee has very materially changed. I am inclined to believe that none of the new Members have read those earlier hearings, and that they would therefore have no considered opinions in the matter. Therefore, Mr. Chairman, open hearings were in order if fairness and justice were to prevail.

On July 17, 1942, after the last attempt to introduce this method of doing away with a part, at least, of private ownership of property I spoke on this floor, let me repeat it because it is still appropriate and pertinent even though the open method of that time has given place to considerable camouflage:

I share the conviction of many that the Treasury has no intention of abandoning it (the mandatory joint tax return) as a measure by which to secure additional tax moneys.

We are waging war against a ruthless and relentless enemy. It is not a war like any other war for it is a war to the death in every corner of the globe. Freedom is at stake, and, gentleman, I would remind you that women have more to lose than men and, therefore, are more ready and willing to sacrifice even than men. But sacrifice is very different from acquiescence in a program of retrogression, particularly when the future status of the home is involved, and the terms of the mandatory joint returns are such as to put women back a hundred years.

The women of America are being implored to go onto the production lines, they are being enlisted in noncombatant divisions of the Army and of the Navy, all this, in addition to their first responsibility which is the home and children. It is a strange psychology that seizes upon this moment when increasing demands are being made upon women's energies to attempt time after time to take from them their rights under the law. It is strange, also, to pick out of the great mass of women those who are married, who carry the heaviest responsibilities to the future. It is so wholly un-American, this penalizing those who successfully uphold the most fundamental institution of our American way of life—the home.

I have no personal interest in the question, so am free to speak frankly to you, not just in the interest of married women but in the interest of women throughout the world. Yes; it is as far-reaching as that, because women everywhere watch what American standards for women are, and if the pressure of certain modes of thought is permitted to bring the mandatory joint tax return principle into being, women everywhere will feel their burden heavier than they can bear. The results of enactment would be incalculable.

I am well aware that there are many very charming men who feel women unfitted to own property, and, in a way, rather resent the position of freedom under the law that we have won. These are splendid allies for any who would set the clock back, who are perhaps unaware of the march of time and the changes time and experience have brought about.

Let me therefore remind you that a nation's progress can be measured in a great degree by the status of her women. Women are understood to be the largest owners of property in the United States. Is this ownership to be made a travesty for those who are successful homemakers? * * *

Let us not lend ourselves to an action that would take from many group of women the hard-won right of being persons under the law at a moment when we must ask of that very group, not only the sons some have already given, but the further courage from others to bear children for tomorrow's dawn. * * *

The women of America are ready to meet material sacrifice with as great a courage as is theirs in meeting the infinitely greater one of giving their men who are their very lives that America may save the world. Have no doubt of the women; they will not fail you, nor will they fail tomorrow's world. But I charge you to keep faith with that same future by refusing to be party to retrogressive action no matter when it may come before you. Let us keep faith with America and so with the world.

The moment has again come. What will you do with it?

The CHAIRMAN. The time of the gentlewoman from Ohio has expired.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Indiana [Mr. GRANT].

Mr. GRANT of Indiana. Mr. Chairman, I want to confine my brief remarks to the subject of renegotiation of war contracts and that part of the pending bill that touches upon that act. Back in the month of June 1943 the Naval Affairs Committee, of which I am privileged to be a member, held extensive hearings on this important subject. That committee is charged with the responsibility for legislation relating to the Navy Department and, of course, one of its major concerns was the greatly expanded procurement program which has been a necessary incident to the wartime expansion of our armed forces.

Following the conclusion of those hearings before the Naval Affairs Committee, both a majority and a minority report were written. I happen to be one of six who signed the minority report from that committee, and I commend that minority report to your careful study and attention. It sets forth, in my opinion, in very persuasive form, the objections to this act as presently administered that I shall endeavor to touch upon in these remarks.

In the early days of the expansion program of our Army and our Navy, we found that we required everything at once. Ships and planes and tanks and guns and thousands of other articles of war were needed immediately. And they were demanded in quantities never before dreamed of. Speed was the order of the day. Nothing else counted. Our manufacturers ripped their old machinery out of their plants and in many cases left the empty shell of a building remaining. The Government provided or furnished the means to provide new machinery and set up our industry in the business of making tools of war.

Manufacturers took contracts to make items that they had never seen before, items that they had never heard about.

Under the stress of the moment, the need for speed, and the unheard-of quantities that were required, it naturally followed that neither the procurement officers of the Government agencies nor the manufacturers themselves could have any definite ideas as to unit costs in such a program. But costs were not the problem of the moment. Working men and women and management alike worked around the clock, 24 hours a day and 7 days a week, and turned out the greatest flood of tools of war that this world has ever seen. That never-ending supply of planes and tanks and guns and ships, manned and supported by the manpower of America and her allies, has brought about the turning point in this war.

Very shortly after Pearl Harbor it was realized that the guesses and estimates—and they were no more than that—upon which war contracts had been let were leaving excessive profits in many cases. Many times it had been stated that we wanted no war millionaires created out of this war. Everybody was and is in agreement on that.

At that time our excess-profits rates were on a graduated basis ranging up to something around 60 percent. It was agreed that for the purpose of these war contracts that that was insufficient. On April 28, 1942, the Sixth Supplemental National Defense Appropriation Act of 1942 became effective. Section 403 thereof provided for the renegotiation of war contracts. Everyone was in sympathy with the purpose of that section. It had a worthy objective, it was based on good intentions, and it had the support of many good and sound businessmen. It had the support of most of the leaders of industry because none of them wanted to be known as a war profiteer—no one of them wanted to make inordinate profits out of the war.

The 1942 Revenue Act came along later in that year and raised the corporate excess-profits taxes to a high of 90 percent, with an 80-percent ceiling on over-all Federal income taxes. The act further provided for a post-war reserve equal to 10 percent of the excess-profits taxes paid. This was intended in part to help cushion the shock of reconversion back into peacetime business. However, the act of the Price Adjustment Boards in renegotiating war contracts on a before-taxes basis has thereby extinguished this 10-percent reserve. In other words, the interpretation and administration of renegotiation has to that extent nullified the reserves that Congress wrote into the 1942 Revenue Act.

The minority report of the Naval Affairs Committee made six specific recommendations which I shall discuss briefly.

First. The "recapture" provisions of the Renegotiation Act should be repealed as to contracts made after December 31, 1943. Even if we are to assume for the purposes of this argument that renegotiation was justified at the outset of our big procurement program, the fact remains that certainly the procurement agencies of the War and Navy and other departments concerned should

now have had enough experience in the letting of contracts to do a reasonable and businesslike job in the letting of future contracts. Some of the procurement programs have already been drastically curtailed and at least so far as the experimental part of our procurement program is concerned, the workers and the management of American industry have brought us "over the hump." It should no longer be necessary to let procurement contracts on guesses or on a hit-and-miss basis such as was necessary 4 or 3, or even 2 years ago.

Let us dispense with renegotiation for future contracts. Let us quit requiring so much of the time and effort of American industry to comply with the wants of the numerous Price Adjustment Boards. One large manufacturer has offered to make airplanes at a cost to the Government of 10 percent under any competitor, if the company he represents can be relieved of the expense and the time consumed in renegotiation. Certainly we have had enough experience by now that we can ascertain costs with reasonable certainty and then let an effective excess-profits tax rate do the job.

Second. As we pointed out in the minority report of the Naval Affairs Committee, there is no such thing as profit before taxes. There are earnings before taxes, but the only profits that the stockholders of a company can actually claim as their own are those profits that remain after setting aside the amounts estimated for the State and Federal tax collectors. There is the further fact that the act of renegotiating before taxes works to the benefit of those old line companies that have favorable bases on which to compute excess profits taxes. Take the case of two corporations working side by side, both with the same earnings before taxes. If the Price Adjustment Boards continue in their determination to give no consideration to the amounts of estimated taxes, it can but mean that the corporation with the favorable tax base is going to fare much better than its competitor, even though the two companies concerned are producing the same item at the same unit cost.

Third. The Price Adjustment Boards have refused to make any allowances for reserves for reconversion. As I stated before, many companies actually ripped out their peacetime machinery and the Government supported them in setting up their business for the making of tools of war. The Government said, and rightly so, that the costs of such conversion into war business were properly an item of cost that might be passed on to the Government. But that same Government will not allow that same contractor in the renegotiation process a single dollar as a reserve as against the day when the process is reversed and the company concerned must reconvert into its peacetime business. The Government must not make it impossible for private industry in this country to meet the critical demands of that period of rehabilitation that will follow the cancellation of war contracts.

Fourth. As to those items upon which sufficient experience has not yet been obtained to accurately determine costs, it is felt that "target contracts" can supply adequate protection to both Government and the industry concerned. In other words, a periodic reconsideration, say every 3 or every 4 months, of the unit cost of the items concerned for the ensuing period.

Fifth. We recommended that the law be amended so that it be specifically understood that renegotiation was not intended to apply to contracts made and articles actually delivered before April 28, 1942. Certainly it cannot be contended that an act which alters contracts previously made and upon which deliveries have been completed, is by any stretch of the imagination constitutional and valid. The case of the aircraft carrier *Hornet*, as pointed out in our report, is an example of the extremes to which the interpretation of the retroactive features of renegotiation have been carried. The *Hornet* had been completed, delivered, joined the fleet, and had launched the only airplanes that have bombed Tokyo, all before the Renegotiation Act was on the books. Even the 6 months' guaranty period that follows delivery, and within which the Government holds back the final 10 percent of payment, had expired 8 days before the Renegotiation Act became effective. However, the Government had not gotten around to paying that final 10 percent and on that single thread claimed the right to renegotiate that contract. It is very inequitable to subject the contract or contractor to the process of renegotiation on a contract that had been completed before the law was enacted, but upon which the Government had delayed in making final payment.

Our position that the retroactive features of this law ought to be repealed was fortified by the possibility that the continued application of the retroactive features may some day result in a judicial declaration that the whole renegotiation process is not divisible and is unconstitutional and void in its entirety.

Sixth. In concluding our minority report, we reemphasized our agreement with the majority that, subject to the safeguards of national safety involved, the price adjustment boards should make full disclosure of the reasons prompting action in every case. Such disclosure would go a long way toward relieving the suspicion that arises in some cases that nothing more than arbitrary action of the members of the board has governed them in arriving at a decision. We further concluded that the law must protect the citizen in his inherent right to resort to the courts, and I am glad to see such a provision incorporated into the pending amendments.

The price adjustment boards of the different departments involved in renegotiation have made much of their claim of the billions that have been recaptured. It should be pointed out that roughly three-fourths of all of these sums would have been gathered by the tax collector, even if renegotiation had not entered the picture. As I have pointed out, the early

contracts of the war were mostly a matter of guess. However, contracts that are let today ought to be predicated on sound business principles, and on these present-day contracts no pride should attach to any future announcement of moneys recaptured. Certainly it would be nothing more than an admission that the procurement officers of the governmental departments involved have just missed the boat by so many dollars, and, in the face of 2 and 3 and 4 years of experience, are still unable to do a reasonable, business-like job.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. JONKMAN].

Mr. JONKMAN. Mr. Chairman, it is my understanding that this bill will reduce the area of renegotiation of war contracts as follows:

First. By increasing the existing exemption of \$100,000 to \$500,000.

Second. By exempting agricultural products.

Third. By narrowing the definition of subcontracts to include only those articles to become a component part of the final production.

Fourth. By exempting all subcontracts under exempt prime contracts and subcontracts.

Fifth. Providing for the discretionary exemption of standard commercial articles, as defined in the bill in cases where competitive conditions have been restored.

Sixth. By establishing a new war contracts price adjustment board of five members representing the Treasury, War and Navy Departments, the Maritime Commission, and the Reconstruction Finance Corporation, in the nature of a board of review. This board will review, on petition of the contractor, decisions of the departmental boards.

From these proposed amendments it is quite evident that the Ways and Means Committee realized that the present Renegotiation Act is not carrying out the will and intent of Congress. I think it may also be said that the committee was and is cognizant of the fact that the maladministration of the law presents a serious menace not only to our form of government, but to our economy. In fact, I have heard members of the committee from both sides of the aisle express great concern as to the ultimate effect of the administration of the act if carried to its logical conclusion on our system of government and our free institutions.

The proposed first four amendments are of minor importance, and while they may bring relief to a certain degree for a very limited number of war contractors, I believe it will be inconsequential.

The fifth proposed amendment would provide a remedy for a large class of contractors manufacturing standard commercial articles. However, the fact that this relief is made discretionary with the boards presents the same evil inherent in the present set-up—namely, that it imposes a government by men instead of a government by law.

The same vice inheres in the proposed sixth amendment providing for a board of appeals. The appeal thereby provided will be from the individual board which renegotiated the individual contract to a combination of such boards, all and each of whom function as original boards in similar renegotiation of war contracts. Inasmuch as the greatest criticism of these boards is and has been that they are supplanting government by law with government by men in the renegotiation of contracts, it is but natural to assume that on such appeal the war contractor will meet the same fate that was meted out to him by the board of original jurisdiction. Under the very theory of the renegotiation of contracts, these boards must hang together or they will hang separately. I say, therefore, that while in theory these amendments may appear to offer remedial legislation, in essence the same weakness and fallacy still remains. And while the contractor may, by the proposed amendments, gain some relief from the vices of the renegotiation law, in reality he is still the victim of absolute dictatorial domination from the very agencies with whom he first entered into contractual relations.

The truth of the foregoing statements is easily proved by a brief analysis of the renegotiation law and the history of its application during the past 18 months.

Renegotiation of certain war contracts was provided for in section 403 of the Sixth Supplemental National Defense Appropriation Act of 1942 in April of that year. It was intended to accomplish a very wholesome objective. This objective was to prevent unconscionable profits and profiteering on war contracts by providing for the renegotiation of those contracts in which excessive profits were being realized or likely to be realized.

The act provides in subsection C—

The Secretary of each department is authorized and directed, whenever in his opinion excessive profits have been realized or are likely to be realized from any contract with such department or from any subcontracts thereunder, (1) to require the contractor or subcontractor to renegotiate the contract.

In plain words the purpose of the law was to afford a special remedy against fraudulent war profiteers. Its function was to supplant an action in tort or fraud for the recovery of unconscionable and fraudulent profits, which court action in fraud constituted the only remedy for the recovery of such fraudulent profits in World War No. 1. This class of actions had dragged out so indefinitely that one of them at least dragged on for 25 years and was disposed of about the time of the passage of the War Contracts Renegotiation Act. This Renegotiation Act in itself constituted a radical departure from the fundamental principles of constitutional government. Even the Honorable Maurice Karker, Chairman of the War Department Price Adjustment Board, described the renegotiation law as a dangerous and un-American statute. Instead of the war contractor who is suspected of fraud having the opportunity to meet the charge and issue on

that charge in the courts, as guaranteed by our Constitution for over a century and a half, the renegotiation law placed the determination of that issue in the hands of those with whom he had made the contract who were the opposite parties to the contract but who were, under the law, made the final judge, jury, and executives on that issue and its resultant dispositions and enforcement. In other words, it constitutes plain and unvarnished government by men instead of government by law.

Nevertheless the exigencies of the situation caused by the sudden plunge of our Nation into the greatest war in all history, requiring mass production on a scale never contemplated even by our mass producers, perhaps justified such an extraordinary remedy under the circumstances of the then existing national emergency. In all cases where the contractor is making an exorbitant profit on war materials, either because fraudulent advantage is taken of the Government, which, of course, amounts to actual fraud, or whether it be through inadvertence, inefficiency, or negligence of administrative officials, where, although there might be no actual fraud on the part of the contractor, it would amount to constructive fraud, there should be machinery to correct the wrong and prevent undue Government loss. And so I say that even though it was a dangerous and un-American statute, I believe that under the circumstances it had the general approval of the American people, providing that this remedy of renegotiation was confined to the purpose of the legislation and applied only in those cases in which excessive profits were realized as a result of actual or constructive fraud. However, this drastic remedy has not been confined by the renegotiation boards to war contracts yielding excessive profits, in other words, unconscionable and fraudulent profits. The opportunity for this abuse by the renegotiation boards was made possible largely by the enactment a few months later, and about the time that the renegotiation boards began to function, of the 90-percent excess-profits law, which provided that all profits on war contracts in excess of the basic earnings of the contractor, as measured by his average earnings from the years 1935 to 1939, should be subject to an excess-profits tax of 90 percent.

It must be borne in mind that the term "excess profits" in the tax law has a different connotation than the term "excessive profits" in the renegotiation law. The former contemplates profits in excess of a certain amount; in this case profits in excess of the average annual earnings over a given period before the war. These excess profits may inure from the operation of three 8-hour shifts instead of only one 8-hour shift before the war, entitling the war contractor to from two to three times its normal income, or there may be many other legitimate increases in the volume of business, resulting in increased but legitimate income for the industry. This increased profit, as long as it is not unconscionable profit, is the excess profit contemplated by the excess-

profits tax. Although this excess profit is considered honest and legitimate, the tax law provides that being business as well as its consequent profit flowing from the war it shall not be retained, but 90 percent of this excess profit shall be recovered by the Government through the excess-profits tax.

This is the vital distinction. Excess profits are legitimate profits in excess of those previously earned, while excessive profit refers to marginal profit on articles which are priced too high and amount to actual or constructive fraud or gouging of the Government.

The failure to make this distinction is the glaring vice of the renegotiation bureaus. It was the function of the renegotiation boards to recover excessive profits and the function of the Treasury Department to collect in taxes 90 percent of excess profits. Had the renegotiation boards confined renegotiation to those contracts involving excessive or unconscionable profits, it would not only be carrying out the will and intent of Congress but it would have proved a wholesome measure to effect those intents and purposes. Not only that, but it could continuously be functioning alongside the excess-profits tax, each in its proper field—the one to prevent profiteering and the other to recapture legitimate profits resulting from increased industry and business flowing from the war. However, as is the case with much other wholesome and efficient legislation, maladministration of the officials has created far more vicious evils than those which were sought to be corrected, for instead of confining themselves to those war contracts in which excessive profits were being realized, the Price Adjustment Boards immediately proceeded to renegotiate all war contracts. In other words, they invaded and operated in the field reserved exclusively for the Treasury Department and renegotiated excess profits. The very high rate of taxation—to wit, 90 percent—made it easy for them to intimidate the honest contractor by saying that 90 percent of his profits would be taken from him, anyway, under the excess-profits tax, and thereby mulcting him of that, together with the slight margin constituting the other 10 percent.

To give a specific example, I know of a firm, and it is typical, having basic earnings of \$425,000 per year. In 1942, by running three shifts most of the time, their earnings were \$500,000 additional. The renegotiation board coolly told them that they would settle for \$250,000, or one half of the excess profits. The firm settled. Here then the renegotiation board was deliberately mulcting the United States Treasury out of \$225,000 which would have been paid as excess-profits taxes, and the company out of \$25,000 which it would have been permitted to retain as legitimate profits except for this usurpation of authority. It is not difficult to understand and appreciate the company's claim that this slight margin of \$25,000 was necessary for them to meet their normal dividends and provide reserves for post-war conversion; and that as a result of renegoti-

ation they felt compelled to lower their dividends. The renegotiation boards themselves admit that of the \$4,000,000, 70 percent or two billion eight hundred million would have been collected by the Treasury Department at all events. This leaves but one billion two hundred million, and the query is as to how much of that sum they have wrongfully taken from war contractors as excessive profits when in reality they constituted legitimate excess profits. This latter sum also undoubtedly includes the huge sums voluntarily returned by war contractors before and without renegotiation.

Be that as it may, by wrongfully invading and raiding the field of the Treasury Department in the collection of excess-profits taxes, they have not only mulcted the Treasury Department, but have cast an undue onus and odium on the war contractor, making excess although legitimate profits, and under this duress have mulcted him as well. They have stigmatized him as a war profiteer, penalizing him accordingly, whereas he was a patriotic American, willing to work harder and contribute the proceeds of his efforts to the war effort through the American principle of taxation.

In conclusion I wish to say that while the amendments proposed by the Committee on Ways and Means may give some relief, they do not at all reach the core of evil inherent in this dangerous and un-American statute. I believe that the war effort and the general welfare of the American people can be best benefited by H. R. 2698, being the bill introduced for repeal of the renegotiation law. The present law, because of its maladministration, cannot be patched or amended to prevent the destruction of our free institutions. It must be rooted out entirely and we must make a fresh start.

In reply to those who have the temerity to say that this repeal bill is for the benefit of those who would make millions in the nature of corporate profits out of the war effort, I say that I, as much as they and more, want to prevent the creation of war millionaires, but I do not believe in burning the house to catch a rat. If the renegotiation law is repealed, renegotiation could be placed under the jurisdiction of a board independent of the departments which are parties to the original contracts; for instance, the Bureau of Internal Revenue. Then there would be no incentive to raid the field of excess profits, as the Treasury Department would have no object in mulcting itself, but would confine itself, as the law intended, to those contracts in which excessive or unconscionable profits are being realized.

I could mention a dozen or more vices flowing from the present dangerous and un-American statute. The way in which it is administered simply does not fit into the American way of life, even in wartime. Let it suffice to say here that the renegotiation law, as the aforesaid facts show, has been distorted into an unconstitutional delegation of the taxing power to these boards and is supplanting our American system of taxation with the

arbitrary, discriminatory confiscation of totalitarian dictatorship. Some time ago the newspapers carried a story of an alleged claim by the administration that corporation taxes were eight hundred million less for 1942 than they were in 1941. From the foregoing facts it is clear that they were in reality at least \$2,000,000,000 higher, only they were collected differently. It is high time that the Congress courageously recaptures the taxing power, lest it be lost to them and the people forever.

Furthermore, unless we repeal the law and enact legislation confined to its objectives and purposes against excessive profits, we will destroy private industry by robbing it of the funds necessary for conversion when the war shall have been won, thereby destroying millions of jobs for our homecoming soldiers and those who must leave war production jobs for civilian employment.

Most of the Members of Congress and most of the American people are aware of the machinery to change the American way of living, to destroy the American capitalistic system. The renegotiation-of-contracts law, regardless of its former efficacy, is at the present time one of the most promising mediums for those who are seeking the objective of taking over the economy of the country and establishing a socialistic or collectivist scheme of government in these United States.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Wisconsin [Mr. SAUTHOFF].

Mr. SAUTHOFF. Mr. Chairman, we have before us for consideration a bill to provide increased revenue for the year 1944. It is to be regretted that because of a closed rule amendments to this measure cannot be offered on the floor of the House. It is also to be regretted that no appreciable effort has been made to drain off some of the surplus funds in the hands of the consumer.

The time to get money is when there is money, and at no period in the history of the United States has there been so much money in the hands of the taxpayer. We cannot hope to collect any of this money when the flush times have passed and we are once more struggling with the problems of unemployment. It seems to me that it would have been a far more realistic view of our problem to have made a serious effort to help pay for the war by increased revenues. The present bill is not adequate. If I had my way and could pass any measure I saw fit, I would make it a law that the minute war is declared personal incomes should not exceed \$1,000 net per month and that no gifts could be made in excess of \$100,000 by any taxpayer. In addition to the above, I would establish a maximum percent of profits which could be earned by anyone, taking the excess over such amount for revenue for the payment of war obligations, and last but not least I would create a board which had the power to maintain a satisfactory relation and standard involving wages, commodity prices, and profits, as all three are interlocked and cannot be considered piecemeal in times of war emergency.

Perhaps it is an indication of the present appraisal of values when we see a resolution slumbering since last February in the Committee on Foreign Relations providing for the feeding of the starving children of the occupied countries of Europe; also there has been slumbering in the Committee on Agriculture since last May a resolution empowering that committee to investigate the profits of all middlemen dealing with foods, and no action has been taken on either resolution, but when whisky got scarce in the District of Columbia there was a rush made to investigate the reason for the scarcity with a view to taking appropriate measures to relieve the thirst of the afflicted, and yet mothers of small children can go through the stores of the city of Washington and not find heavy underwear for the cold months. But that is not of any importance—at least not nearly as important as the lack of a quart of whisky. I think it is time that we readjusted our sense of value: and considered first things first.

I am opposed to this bill, and shall vote against it, although I know that there will be no opportunity to be recorded in a roll call.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Iowa [Mr. HOEVEN].

Mr. HOEVEN. Mr. Chairman, with the power to tax there is the power to destroy. Apparently, the Ways and Means Committee of this House is lending its best efforts to curtail and at least partially destroy such a vast and important public service and utility as the Postal Service.

The Post Office Department is not a revenue-raising institution for the general purpose of defraying governmental expenses. It is the Nation's largest business institution and has been permitted to function as such for over 150 years unhampered by those who would seek to make it another revenue-raising agency for the general purposes of the Government. There, therefore, seems to be no justification for the action of the Ways and Means Committee in voting its approval of postal rate increases. It simply acted in haste and without much consideration for the facts. Postal rate changes seem to have been picked out from nowhere. On one day the committee voted approval of a 3-percent tax on parcel post, 2 days later it approved an increase in the first-class rate from 3 to 4 cents and 24 hours later canceled this proposed increase. Certainly no careful consideration or study of the existing rates, or of the experience and processes of the past which led to their establishment, served as a basis for the rates now proposed. I also doubt very much whether the Post Office Department has been consulted about this matter.

The Committee on the Post Office and Post Roads of the House is, in reality, the board of directors of the Post Office Department and is so regarded by the Department. The need for increased postal rates should be determined by that committee with the sole purpose in mind of putting the Post Office Department on a sound financial basis as the Govern-

ment's biggest business venture and should not attempt to bleed it for general taxation purposes without any regard for the future and the welfare of the Postal Service itself.

Out of a total estimated yield of \$1,901,000,000 in excess revenues voted by the committee, postal rate changes are estimated to produce \$175,000,000. In 1932, when postal volume and revenues dropped to \$588,000,000, the Post Office Department suffered a deficit of \$206,885,000. Agitation at that time for higher postal rates to save the taxpayers this expense was defeated by the argument that the deficit could only be wiped out by maintaining low rates and building up postal volume and revenues. Time has proven the soundness of that argument.

In 1942, with the same low rates existing in 1932, revenues had increased to \$889,817,000 and the deficit was reduced to \$11,825,000, a saving to taxpayers of \$195,000,000. For the fiscal year 1943 revenues are estimated at the all-time high of \$961,059,690, with an all-time low deficit of only \$3,543,122, notwithstanding Postmaster General Walker's own statement that additional revenue amounting to \$103,000,000 would have accrued to the service if all governmental departments and agencies had been required to pay postage on their free penalty mail as proposed under the Burch bill. With this additional revenue the service would have shown a profit of nearly \$100,000,000. These figures, and experience speak for themselves. Low postal rates encourage mailings and produce larger volume, higher revenues, and higher profits. Higher rates discourage mailings, reduce volume, and lower revenues and create deficits.

In 1917 Congress increased the penny postcard rate from 1 to 2 cents. The postcard had been producing a normal revenue of \$20,000,000 a year. With a raise to 2 cents, the Post Office Department not only did not get the increase anticipated but the revenue dropped to \$10,000,000. I predict that if Congress once more unwisely adopts the higher rates recommended by the House Ways and Means Committee, mailings and revenues in each class of mail and service affected will fall off to such an extent that, not only the additional revenues anticipated from the increase will not be produced but the actual postal revenues will be less. And the Government will have less revenue at the close of its fiscal year from the Postal Service than it would have if present rates are retained and postal volume and revenues are permitted to expand.

No department of government is closer to the people than the Post Office Department. It comes in contact with the people daily. They want efficient service and as low postal rates as possible commensurate with such efficient service. I am sure that the people of the country do not want to see the Postal Service used as another taxation agency. When we once dig into the Post Office Department for revenue to carry on all the general functions of government, the temptation immediately arises to continue this pro-

cedure until finally the Postal Service is entirely destroyed and it simply becomes another agency of taxation. We should not disturb the structure now that has withstood the pressure of 150 years.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Ohio [Mr. VORYS].

Mr. VORYS of Ohio. Mr. Chairman, I wish to elaborate a little further the suggestion I made earlier this afternoon to the gentleman from Oklahoma [Mr. DISNEY]. The need for post-war reconversion funds for business is a problem which is of great concern to businessmen and should be of great concern to Congress. The suggestion has been made that businessmen be permitted to withhold from war taxes a post-war reconversion reserve, in order to pay for the changes necessary in their plants. The argument has been made that the great benefit in furnishing prompt employment would warrant the withholding of these tax funds. I doubt whether this form of tax exemption is feasible, and, if it were put into practice, it would no doubt be surrounded with so many governmental regulations and inspections as to be very burdensome. Most businessmen are looking forward with longing to the day when they can avoid governmental forms and red tape in their business.

I have suggested to a number of members of the Ways and Means Committee and have discussed with businessmen the possibility of financing post-war reconversion through a tax-amortization plan which would be just the reverse of the war building amortization plan. When the war plants were built we permitted industry to amortize the cost of the plant over a period of 5 years through tax deductions. Now industry needs current funds for necessary post-war changes. Many a business is making very large profit from a small plant, but this war profit is going largely to the Government in taxes and renegotiation, as it should, and the business faces the future without necessary working capital. I believe that we could permit industry to withhold as much as half of the taxes due for this purpose and amortize the payments over a period of 5 years.

For instance, a business which owed \$500,000 in taxes in 1944 could withhold one-half of this amount, or \$250,000, for reconversion purposes, under proper safeguards to be prescribed by law. This amount might be sufficient to finance all, or a major part of the change-over. In the next 5 years, in addition to the regular taxes of the business, it would pay \$50,000 a year in amortizing the payment which had been withheld. Interest would be charged approximating the interest on the Government debt so that there would be no ultimate loss to the Government. The only danger would be that the business might fail in the post-war years and the Government would not be able to make full collection. To this extent, the Government would be sharing the hazards of the businessmen's post-war fortunes. It might be feasible to make the amortization period longer than 5 years. Such a plan would not solve all of the problems of reconversion

financing, but it would accomplish much without red tape or overhead.

The gentleman from Georgia [Mr. VINSON] has stated this afternoon that this whole problem must be examined soon. It is my hope that my suggestion can receive study and analysis at that time.

Although I realize that putting together a revenue measure is a monumental task, I confess my disappointment at many provisions of the present tax bill. I felt we should attempt to raise even more money. I feel even greater relief from bureaucratic caprice could have been given in the renegotiation amendments. I still feel, as I have always felt, that it is a mistake to consider such a bill under a gag rule. The small attendance here, the lack of interest in the debate, is evidence that the membership of this House will not give any great amount of time and attention to consideration of a tax bill under a gag rule. Of course, however, I am going to vote for this bill, rather than against it. I want to do my part in raising taxes to support the war effort.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. GEARHART].

Mr. GEARHART. Mr. Chairman, last December when we passed upon the so-called modified Ruml plan I thought we had about reached the zenith in unsound legislation, but I am satisfied that in the present bill we have under consideration we have a real "runner-upper." We still have a pay-as-you-go-before-you-know-what-you-owe bill. The American people had hoped that the committee would supply them with a pay-as-you-go-when-you-know-what-you-owe bill. They wanted simplicity but, despite their pleas, we still have all the complexities and all of the confusing uncertainties which were an integral part of the previous bill to which I have just alluded.

The American people are going to be greatly disappointed when they find that, on each of these succeeding quarterly periods, they will still have to go through the same mental gyrations and suffer the same indescribable confusion that they had to undergo when they were on the tax rack last September 15.

There are many features of this bill besides its complications that compel me to withhold my assent to it. I object particularly to the transportation tax of 3 percent upon freight charges. As it is the long-haul States that suffer the most from a tax of this character, as a Californian, I, of course, object to the unfairness of the operation of that kind of a tax upon the consumers and shippers of my great State. This tax is truly an unfair and discriminatory tax put against all of the border States of our great country, the Atlantic and Pacific Coastal States, the Gulf States, and the Mexican border States. Our specialty crops must be taken thousands of miles to the consuming markets, and when they are taken there and sold to the consumers not only does that production carry with it a high freight charge, which we know we cannot avoid, but it carries with it a 3-per-

cent tax on that high freight charge, working as a penalty and nothing less.

Miss SUMNER of Illinois. Will the gentleman yield?

Mr. GEARHART. I yield to the gentleman from Illinois.

Miss SUMNER of Illinois. England and some of the other foreign countries, including Germany, have taken off the import duties and transportation tax as a means of avoiding having to give subsidies.

Mr. GEARHART. I am grateful for that observation. In order to emphasize let me point out that those of us who live in the West buy more per capita of automobiles, ice chests, radios, and things of that kind, but we do not buy them on an equality with the people who live in the center of the country where those things are produced. We have to pay a greater freight charge on them than others and then in addition thereto we have to pay this 3 percent on that excessive freight charge. The greater the charge, the greater the tax.

Mr. CURTIS. Will the gentleman yield?

Mr. GEARHART. I yield to the gentleman from Nebraska.

Mr. CURTIS. Is it not true that the agricultural areas pay the freight both ways? It is deducted from the price it receives for its products and it is added on to the price that it must pay for its manufactured goods. Likewise, the tax will follow the freight.

Mr. GEARHART. That is precisely true. Because they catch us coming and going the agricultural areas are the ones the people of which suffer the most. If there was anything resembling equality in the application of this tax, I would be the last to protest.

Mr. CURTIS. The interior of the country does not have the advantage of waterway freight either.

Mr. GEARHART. The opposition to this tax which has been engendered throughout the country ought to be sufficient to convince those who are assembled here, if not to the members of the Ways and Means Committee, that this tax is unfair and discriminatory. Commissioner Eastman, known throughout the country as its greatest transportation expert, has condemned it time and time again and on a number of occasions asked the Congress to repeal it. The Interstate Commerce Commission has also asked the Congress to wipe it from the statute books. The Office of Defense Transportation also condemns the levy as unsound, unfair, discriminatory, unequal, inequitable. Yet it remains in this bill—simply because it produces \$175,000,000. That—so far as I can ascertain—is the only reason for it. Why a tax which is so discriminatory, unfair, and unequal in its operation impressed my colleagues of the great Ways and Means Committee as worthy of retention in the bill will remain one of the unsolved mysteries of modern times.

Mr. ELLSWORTH. Will the gentleman yield?

Mr. GEARHART. I yield to the gentleman from Oregon.

Mr. ELLSWORTH. Is it not true that the same amount of money could be collected on another basis? In other words, the percentage basis used is really responsible for the inequity, whereas, if a per unit basis were used, the same amount on the commodity from wherever it may be shipped, then there would be no inequity, but we could still collect the same amount of money? Is that not true?

Mr. GEARHART. That is true. The gentleman from Oregon is quite correct. Other methods were suggested, but for some strange reasons—reasons which surpass human understanding—the committee seized upon and clung, with an unyielding tenacity, to the unfair formula of them all.

Mr. ELLSWORTH. May I say, it is my recollection, the principle I just mentioned applies on some other commodities, notably coal. They did not use the percentage method on coal. The tax on the transportation of coal is so much per car, which I think is the proper way of distributing a tax.

Mr. GEARHART. If the tax theory which was applied to coal were applied across the board you would not hear me complaining today.

Another reason why I am opposed to this bill grows out of the provisions having to do with renegotiation. I am against renegotiation because I am quite convinced that the proposed statute is unconstitutional. All will agree, I am quite sure, that it is unconstitutional for Congress to delegate its legislative prerogative. Likewise, all will agree that it is unconstitutional to delegate the taxing power of the Congress to any agency. This bill does all that in its so-called renegotiation provisions. The Congress, applying the definition to all the people, has defined what income is. But the renegotiators are granted the privilege of redefining what income is in its application to a single individual. Congress, in writing the revenue laws, fixes the rate of taxation, the rate which shall apply equally to all of the people. The renegotiators are authorized to lay down a different rate of taxation—not on all the people—but upon the one person who happens to be the victim that they have marked for renegotiation treatment.

Mr. CASE. Will the gentleman yield?

Mr. GEARHART. My time is so short—

Mr. CASE. May I ask the gentleman if he does not want to make a differentiation between the recapture of profits and a repricing as to contracts that are entered into by a contractor where a renegotiation clause is part of the contract?

Mr. GEARHART. I agree that there is such a distinction. Put notwithstanding, both are jumbled together and are treated the same way. Because in their operation upon the contractor the procedure and the effect are the same in respect to both recapture of funds and repricing of articles no good purpose could possibly be served by bearing that distinction in mind.

I am against the renegotiation clauses for so many reasons it would be quite im-

possible to even list them within the short period which has been allotted me. For instance, the word "renegotiation" is a fraud upon the American people. That which is done has no relation to the meaning of that word. What does "renegotiation" mean? I think all will agree that to renegotiate means "to conduct conferences as a basis of agreement," "to treat with a view to coming to terms."

Is there anybody so guileless as to believe that any contractor who is cited in for renegotiation is given any opportunity to decide whether or not he wants to renegotiate, or, does anyone think that, after renegotiating, the contractor has any right to refuse to accept the consequences of those renegotiations or the conclusions the Price Renegotiation Board has arrived at? Not at all. The contractor is merely reached out for and taken by the nape of the neck and told, "Sign here. This is the new contract." There is no exchange of ideas, there is no meeting of minds, there is no agreement in respect to new terms. The whole procedure is arbitrary. In true totalitarian fashion, an order fixing new terms is, by ukase, substituted for the voluntary contract originally agreed upon. There is a confiscation of a portion of the profits which the contractor earned under his original contract without any compensation therefor whatsoever. This is a violation of the Constitution of the United States, only one of a hundred violations that I could name if time would permit.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Illinois [Mr. CHURCH].

Mr. CHURCH. Mr. Chairman, I would like to comment briefly on the proposed amendments to the so-called renegotiation law embodied in the pending revenue bill. The proposed amendments constitute a decided improvement of the existing law, but were we not precluded by the "gag rule" under which the bill is being debated I would offer an amendment to provide for the outright repeal of the entire renegotiation statute.

In the words of the former Chairman of the War Department Price Adjustment Board when he testified—page 2 of the hearings—before the Committee on Ways and Means, and I commend him for his frankness, "It is a dangerous and un-American statute." Such a law should never have been placed on our statute books, and I am personally convinced that if given the opportunity this House would vote its complete repeal. I suspect that the administration leadership would not have brought the bill to the floor of the House under a closed rule were it not realized that an open rule would undoubtedly mean the elimination of renegotiation.

We are representatives of the people. We are custodians of constitutional rights. Once it is clearly understood the extent to which the renegotiation law suspends—even abrogates—constitutional rights of American citizens I do not believe the membership of this House would accept any amendments except that providing for repeal. If the principle of renegotiation is un-Ameri-

can, the law providing for renegotiation does not become any less un-American by improving the technique or procedure of renegotiation.

This House has never had, nor do we have today, full opportunity to pass upon the real issue. That right has been denied us by administration strategists. It is denied us today. I must confess that the administration leaders have done a remarkably able job in preventing the issue from arising in the House.

Last year when the sixth supplemental national defense appropriation bill was before the House the distinguished gentleman from South Dakota [Mr. CASE] secured the adoption of an amendment to limit profits on war contracts at 6 percent. There was no discussion of the amendment and to this day no one knows from the language of the amendment whether the 6-percent limitation was 6 percent of the contract price, of costs, or of sales. Very few Members were on the floor at the time and, on a division, the amendment was adopted by a vote of 70 to 8.

The profit limitation provided by the Case amendment was fixed and did not vest in the departments discretion as to what the profit should be. Moreover, the amendment related only to the particular appropriation then being made and to contractors dealing directly with the Government as prime contractors. Whatever the faults of the Case amendment, it had the great merit of fixing certain definite limitations.

When the appropriation bill came back to the House in the form of a conference report, which is not subject to amendment, renegotiation as we know it today was born. The administration seized upon this opportunity to have delegated to the departments the power to determine for themselves what constituted excessive profits. Renegotiation thus originated as a part of a pressing war appropriation need, and the next time Congress had the matter before it was in the form of a conference report on the revenue bill of 1942, which embodied certain amendments to the renegotiation law written into an appropriation bill.

Suffice it to say, Mr. Chairman, that there never was a renegotiation bill as such before a committee of this House or before the House as a whole. It was always a part of some other important bill, and I venture to say that a great many Members of the House never realized there was such a law until they began to see the effects of it and began to hear from the people back home.

I have many times protested against broad delegations of power to the executive branch of the Government. I have opposed such procedure and will continue to oppose it as long as I am privileged to have a seat in this great body. The sprawling, strangling bureaucracy which is killing the American way of life and placing impossible tax burdens on the people is the product of these delegations of power. The unlamented N. R. A. was characterized as "delegation run riot," and the renegotiation law is subject to the same characterization.

Who determines in renegotiation what are excessive profits? Government appointees. By what rule or standard do they make that determination? There is none. Who decides in renegotiation the amount of money that may be earned by a particular contractor or subcontractor? Government appointees. How do they decide? No one knows. Nor is there any effective appeal from their decision. Truly, "it is a dangerous and un-American statute."

Let me read to you the definition of excessive profits as set out in the law:

The term "excessive profits" means any amount of a contract or subcontract price which is found as a result of renegotiation to represent "excessive profits."

In other words, Mr. Chairman, excessive profits are excessive profits to the amount that you, the price adjustment boards, decide they are excessive. It could be all the profits realized or it could be none.

Not only do the price adjustment boards have the power to determine what is excessive as a profit on war work, they do not have to furnish the contractor with any statement as to how they arrived at their conclusion. The whole proceeding is in complete secrecy. There is no public record of any kind. And the contractor must accept the decision of the board who renegotiated his contracts or he will not receive payment for his products, which, in most instances, would mean that the company can no longer continue in business.

Mr. Chairman, that is not the American system of government, and I protest the continuance of any such law. If the administration of this law should fall into the hands of the many remodelers now associated with the Government we will witness the complete destruction of the American system of free enterprise.

It has been argued that renegotiation is necessary to prevent war profiteering, and much has been said about the amount of money recovered through renegotiation. The figures that have been presented seem imposing, but they fail to take into account the taxes that we would have collected on these profits had they remained with the companies. Existing law provides for a 90-percent excess-profits tax, with an over-all limitation of 80 percent on corporate taxes. In general, therefore, 80 percent of the money recovered through renegotiation would be recovered through taxation. Moreover, the pending bill provides for a 95-percent excess-profits tax beginning January 1, 1944.

When we wrote the excess-profits-tax law we provided for a post-war credit of 10 percent. In other words, for every dollar paid in excess-profits tax 10 cents would be set aside by the Treasury Department as a reserve to assist American business in the difficult post-war transition period to peacetime production. Renegotiation does not provide for any such reserve, and inasmuch as renegotiation is before taxes rather than after taxes American business loses the post-war credit which Congress decided should be available for the future. Renegotiation

is thus in direct conflict with the settled policy of Congress.

I fear for the future of American business if they are not permitted to build up reserves for converting plants to peacetime production, for meeting pay rolls until the company can place itself on a peacetime productive basis, and for rehabilitating their equipment now operating at maximum capacity. Unless business can set up appropriate reserves for the post-war period we will be confronted with the greatest depression in our history and all business will pass into the hands of the Government. We will thus lose through our own short-sightedness the very thing for which we are fighting and for which our boys are daily giving their lives—freedom.

There is no substitute for the American system of free enterprise. This is evidenced by the developments in the present war. Russia with 200,000,000 people and endless resources, Great Britain with 600,000,000 people and great natural resources, China with 400,000,000 people and endless natural resources, all look to the United States with 130,000,000 people. It is not the number of our people that makes us powerful. It is not the extent of our resources. Other countries have larger populations and greater natural resources. We are powerful because of our system of free enterprise, and it is for us to preserve it at all costs.

The renegotiation law is destroying this system and should be repealed. The pending amendments limit the area of renegotiation and set up certain standards for the determination of excessive profits. The amendments improve the existing law but its basic evils remain. I wish we would be given the opportunity to vote its repeal and leave to the tax law the control of profits. That is the American way.

Mr. Chairman, I wish also to direct some remarks to title IV of the pending revenue bill, providing for an increase in postal rates. This title has no place in a revenue measure. Postage was never intended to be a tax, but rather a charge for the special service of the Government, and when the Committee on Ways and Means presumes to report a bill containing provisions for increasing postal rates it is assuming jurisdiction over a matter which belongs to the Committee on the Post Office and Post Roads.

The proposed increase in the rates will not greatly affect the individual, but it will materially affect American business. Surely it is recognized that during this period many companies have been obliged to discontinue the use of salesmen in reaching a market for their products. Companies which previously maintained a large sales force have lost men to the armed services or to war production plants. Moreover, the gasoline shortage and the heavy burden on public carriers have made it necessary for hundreds of companies to find a substitute for traveling. The mails have thus become increasingly important to business, and it is now proposed by this increase in postal rates to place another burden on business.

According to the committee report the estimated additional revenue from the proposed rates is \$166,800,000. While I do not have the details upon which this estimate was made, I venture the prediction that if these rates should go into effect the return will be far less than the estimate. There is a well-established economic law known as the law of diminishing return. If the return on 1,000 pieces of mail at 2 cents is \$20, it does not follow that an increase in the rate to 3 cents will increase the return to \$30. Invariably as the rate increases the number of pieces mailed will decline because the price becomes prohibitive.

But even assuming that some additional money may be realized by increases in postal rates, I am convinced that the effect of this action will be far more damaging to American business now so dependent on the mails than any sum that may for the moment be gained. At best the gain would only be temporary.

It does not seem to me logical, it just does not make sense to propose an increase in postage rates when the Post Office mail service is now on a paying basis and when the mails have become so important to the people as a whole. By this provision it is proposed to increase the burden of mail costs on the people while at the same time the various Government departments, bureaus, and agencies continue to send useless and unnecessary material through the mails under the franking privileges.

I am definitely opposed to this title in the bill, Mr. Chairman, and I wish it were possible to offer an amendment to strike it. I am sure such an amendment would have the overwhelming support of this House. Under the closed rule such an amendment can only be offered by the Committee on Ways and Means. In the event it does not offer such an amendment, I hope that when the bill is under consideration in the other body title IV will be stricken. The Committee on Ways and Means, I understand, held no hearings whatever on this subject of increase in postal rates.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. Gross.]

Mr. GROSS. Mr. Chairman, much has been said here lately about the need for raising additional revenue for the purpose of financing our war effort and our ordinary government functions.

Also, much has been said about economy in government, and this is what I want to discuss. So that I shall not take up too much time I shall cite only one instance where economy and sounder business operation on the part of our Government would have saved the taxpayers countless dollars.

The proposal to construct a pipe line from Texas to Illinois at a cost of \$44,000,000 was announced last February by Jesse Jones. The Defense Plant Corporation, upon the recommendation of the Petroleum Administration for War, agreed to finance the project which, after completion, would have a capacity of

about 235,000 barrels per day of gasoline and light petroleum products.

The War Emergency Pipelines, Inc., was set up to construct the line and operate it for the account of the Defense Plant Corporation.

In April, Mr. Jones announced that Defense Plant Corporation, a subsidiary of the Reconstruction Finance Corporation, upon recommendation of the Petroleum Administration for War, had agreed to finance the extension of this pipe line to the harbor areas of New York City.

This section, again to be constructed by War Emergency Pipelines, Inc., would complete the link from Illinois to the east coast.

The first section of the line—a 16-inch tube from Baytown and Port Arthur to Beaumont, Tex., and a 20-inch line from there to Norris City, Ill., and Seymour, Ind.—were approved at a cost of \$44,000,000.

Completion of the Seymour-New York area section, also a 20-inch line, will bring the over-all cost of the entire project to approximately \$95,000,000.

This pipe line, known in my country as the Big Inch, passes for 100 miles through my congressional district. Work has been going on in this area for some months and I have heard numerous complaints concerning wastefulness and payroll padding. After some personal investigation, I finally found an employee of the project who has acquainted me with many of the things which have been going on.

This man, a timekeeper, and an employee of the Government, when calling these conditions to the attention of the contractors, was told to "give the boys a break." Certain employees, after a few fist fights, numerous threats, and propositions to split up the "take" submitted to the deletions, but came back day after day and worked the same old racket, making it necessary for someone to be on the job each day to check the men. These employees receive time, time and one-half, and double time for their extra hours.

So-called working hours deleted by the diligence of this time clerk amounted to a saving of \$7,966.01 from the period July 16 to October 20, 1943. This figure covers only 1 of 26 working gangs.

The hourly wage of the men involved on this project range from 75 cents to \$1.50 per hour.

From the records which I have before me, it shows that on August 16, 98 men claimed hours at work which were deleted by the timekeeper, after a check-up. The hours deleted for this day total 171 hours, and resulted in a saving of \$264.

The time allotted permits me to mention only some of the cases as follows:

Date	Hours deleted	Men involved	Saving
Aug. 18.....	125	84	\$190
Aug. 20.....	156	110	234
Aug. 21.....	138	93	210
Aug. 22.....	154	15	210
Aug. 26.....	155	100	200
Aug. 27.....	123	55	192
Oct. 1.....	257	92	316
Oct. 10.....	141	53	128
Oct. 11.....	97	25	140

Now, Mr. Chairman, having cited the saving in man-hour payments, I call the attention of the House to money which would have also been wasted had it not been for the honesty of this employee.

In cases where a worker was found to have claimed to have been on the job, but was not, a check was made of his particular type of work on the project.

These men who had been dishonest about their hours were usually operators of heavy equipment, such as ditching machines, bulldozers, tractors, heavy trucks, and welders. When it was found that they had not worked it was also found that their equipment had remained idle, yet a claim was made for reimbursement for use of the equipment.

In checking the daily time sheets it was found that 5,133 hours could be knocked off of equipment charges for the period from August 15 to October 14, a period of only 2 months.

This equipment was rented on prices fixed by the O. P. A. The equipment ranged from tar and asphalt kettles at \$23 a month to ditching machines at \$1,450 per month.

While this equipment was paid for by the month, oftentimes machines broke down and remained in the repair shop for as long as 3 weeks at a time because of lack of repairs as well as scarcity of mechanics. So there were many days when some of the equipment was not operated at all, and much was operated only part time.

I will now cite deletions for certain equipment for certain days as follows:

Date	Number of machines	Hours deleted
Aug. 19.....	32	134
Aug. 26.....	41	134
Sept. 14.....	32	168
Sept. 30.....	29	135
Oct. 1.....	30	261
Oct. 2.....	23	107
Oct. 4.....	25	124
Oct. 5.....	33	146
Oct. 6.....	32	114
Oct. 7.....	32	124
Oct. 8.....	31	151
Oct. 10.....	36	171
Oct. 14.....	10	73

Mr. Chairman, I feel that the foregoing statement justifies the claims of the minority members of the committee that honesty and economy in government would completely eliminate the necessity of any increased taxes.

Complaints of the dickerings in connection with this project, made to officials of War Emergency Pipelines, Inc., a Government agency, answerable to Defense Plant Corporation, have gone unheeded.

I believe that the Reconstruction Finance Corporation owes it to the taxpayers to bring a thorough investigation of the entire project out into the open.

Mr. KNUTSON. Mr. Chairman, I yield 10 minutes to the gentleman from New Jersey [Mr. McLEAN].

Mr. McLEAN. Mr. Chairman, were the pending measure just a revenue bill, I would not find it difficult to oppose it and this notwithstanding that I am not unmindful of the extraordinary needs of revenue for war purposes. These needs

were fully considered on the enactment of the last revenue act.

I am going to support the bill, because I am in accord with the provisions which it is hoped will simplify the assessment and collection of the personal income taxes and clarify many of the provisions of existing law, including the revision of the Renegotiation Act. The only increases in the personal income taxes are nominal.

Also, I heartily approve of the proposal that in the future taxes shall be assessed on anticipated income and not made retroactive. Changes in our tax laws have been too frequent. They have left the people confused and embarrassed by not knowing or being able to anticipate what their taxes would amount to.

My approach to the preparation of the measure has been with the conviction that before any new taxes were imposed sufficient time should be allowed to ascertain with some degree of certainty the revenue to be realized under existing law. Treasury demands disregard this idea.

No sooner had the Revenue Act of 1942 been enacted, making drastic increases in personal income taxes, and before the yield of that measure could possibly be known, the Treasury was demanding further increases. The demand was made without regard to spending needs or the possibility of reducing expenditures by practicing economy and eliminating waste.

FEDERAL TAX RATES ARE HIGH ENOUGH

The Treasury, speaking for the administration, has asked Congress for \$10,500,000,000 in new taxes. This startling request comes after a series of stiff tax increases which have left the American people staggering under tax burdens beyond their wildest dreams. Not content with tax rates which may yield approximately \$45,000,000,000 in revenues this fiscal year, the Treasury would—without any qualms of conscience, add another \$10,500,000,000.

The revenue from present taxes, in the aggregate, are steadily increasing with a rising national income and the expansion of consumer spending. In fact, the receipts from existing taxes are rising faster than the Treasury statisticians have anticipated. When the Current Tax Payment Act was adopted several months ago, the Treasury was willing to admit that it would add only \$3,000,000,000 to tax revenues in 1944 and 1945. But, at the end of last July the Treasury conceded that its early estimate was too low, and it raised its estimate to \$5,000,000,000. Recent reports indicate that this estimate is probably still too low.

The early operations of the pay-as-you-go plan disclose that there had been far more tax evasion than the Treasury has been willing publicly to admit. In fact, the Treasury has been very silent about the tax evasion. Collecting the income tax at the source, although it has placed inconceivable compliance burdens on employers, is adding vast amounts to Federal revenue and will add still more as evasion is stopped and as the national income increases.

TAX REVENUE AND THE NATIONAL INCOME

It is too early to forecast what the final revenues from the present taxes will be during the present and the ensuing fiscal years. With the national income trending upward and with prices and consumer spending on the rise, tax collections are bound to increase. In view of the existing very high tax rates, further increases should be avoided at least until we know what revenues our present taxes will produce.

The Treasury has time after time revised its estimates of the national income. Not long ago it was speaking of a possible income of \$100,000,000,000. This was revised upward to \$125,000,000,000, then to \$130,000,000,000, and later to \$140,000,000,000. Now the Treasury declares that an aggregate income of \$152,000,000,000 will be paid out during the fiscal year 1944. We know it will not be long until this figure is revised upward to \$200,000,000,000.

Inevitably, as the national income soars, tax receipts also soar. The existing high tax rates will return more and more revenue month by month as a consequence. Therefore it is not necessary to raise these rates to gather in more tax collections. In fact, in particular cases, higher rates may produce less revenue because of their effects upon the incentives and resources of the taxpayers.

INCREASING TAX RATES AND THE TOTAL BURDEN

Now, it may be urged that steeper rates of taxation can readily be borne as the national income flow expands. But keep in mind that the tax rates have already been raised time after time.

Never before have the American people paid such high rates of income taxation. Never before have they paid over to the Treasury such tremendous sums of money. Before the war we were paying about a billion dollars a year in personal income taxes. In this fiscal year, according to the conservative Treasury estimates, the American people will pay over \$18,000,000,000 in income and Victory taxes.

But the appetite of the Treasury knows no bounds. It seeks to increase income-tax rates still higher, with the object of piling another \$6,500,000,000 upon the individual taxpayers, whose total tax payments to the Treasury would then be approximately \$25,000,000,000.

Mr. Paul, of the Treasury Department, recently stated in a public address that it would be reasonable to double the Treasury revenue program and ask for \$21,000,000,000 in new taxes instead of \$10,500,000,000. You may be sure that if we enact the taxes the Treasury now asks, it would not be long until it came back for another ten or fifteen billion dollars. It would soon be asking for thirty or forty billion dollars in individual income taxes.

We must now seriously consider whether the present tax rates are all that the American people can bear without grave and permanent injury to the national economy. These rates will supply more and more revenue as the national income rises. It may be questioned whether it is not unnecessary and unwise to increase those rates for fear that

the higher rates might cause diminishing returns and dry up future revenue sources.

ABILITY TO PAY HIGHER TAXES

Because the national income goes up, it does not follow that the real purchasing power of all of the population increases. Prices have been rising and our dollars will buy far less now than they would a few years ago. Eggs which now retail at 70 cents a dozen were 40 cents, or less, a dozen a few years back. Fresh fruits and vegetables sold at prices before the war which were not much more than half of the prices prevailing today. Meats, poultry, fish, milk, butter, and other items in our diet were lower in price. So also were clothing, fuel, and other indispensable articles.

Moreover, many million income earners are receiving no more dollars in income than they received before the war, while others are receiving only a little more. Those in advanced years who are living on their small savings, the widows and their children who are sustained by the proceeds of insurance left at death, and the vast army of white collar workers who must get along upon fixed incomes are being punished terrifically by our present taxes, so are the professional people and all of those in our great middle class whose incomes are fixed or almost constant. Many millions of our people have enjoyed little, if any, of the war prosperity in the form of higher incomes.

THE EXCISE TAXES

I have spoken here only of the income and Victory taxes. These are not the only taxes paid by the American people. These are the so-called excise taxes, a disguised form of sales tax. On every package of popular-sized cigarettes, there is a tax of 7 cents. On furs, jewelry, and toilet preparations, there are taxes of 10 percent of the prices. On the transportation of persons there is a tax of 10 percent. On telephone services there are taxes of 10 to 20 percent. On other commodities and services there are corresponding taxes paid directly or indirectly by consumers. This bill will increase many of these excise taxes on commodities and services consumed by all of us. These are not simply the luxuries of the wealthy. We are all being hit at every turn by taxes upon tobacco, alcohol, admissions, sporting goods, gasoline, and many other items. Together these taxes will amount to about \$4,000,000,000 this fiscal year. To the \$25,000,000,000 which the Treasury wants to collect from our incomes directly, it wants to collect a further \$6,500,000,000 by various excises.

I have not spoken here of the customs duties, which will surpass \$300,000,000 this year. These will also be shifted to us as consumers and reduce our purchasing power.

STATE AND LOCAL TAXES

Nor have I spoken of the taxes which individuals must pay to the State and local governments. The Treasury declares that individuals are paying \$2,000,000,000 directly to our State and local governments in property, income, and other taxes. This does not include

taxes paid by renters upon property which they do not own, which would add at least another \$1,000,000,000. Nor does it include the general sales, the gasoline, the tobacco, the amusement, the alcohol, and other taxes which are collected indirectly from individuals in their purchase of taxed commodities and services. Together this last group of State and local taxes will garner in \$2,000,000,000. Directly and indirectly, the State and local governments are taking from individuals some \$5,000,000,000, aside from the taxes upon business property and income and from the social security contributions. If we include all of the personal and business income and property taxes, commodity, and pay roll, and all other taxes, the State and local governments are collecting a stupendous sum of over \$10,000,000,000.

REVENUES AND EXPENDITURES—WORLD WAR NO. 2 AND NO. 1 COMPARED

Altogether, Federal, State, and local taxes during the fiscal year 1944 will aggregate about \$55,000,000,000. Together with minor nontax revenues, nearly one-half of our total governmental expenditures will be covered by nonborrowed funds.

This is a splendid accomplishment. It is far superior to our record during World War No. 1. In the fiscal year 1919, which brought our best financial results, we were able to raise only \$5,000,000,000 in Federal taxes as compared with Federal expenditures of \$18,500,000,000. Federal taxes were only 28 percent of Federal expenditures. In this fiscal year 1944 Federal taxes may surpass 40 percent of Federal expenditures.

THE PROBABLE COURSE OF EXPENDITURES AND REVENUES

If the war in Europe should end in the near future, war expenditures would very probably decline rapidly. We have about attained the peak of our war production. Military needs in some lines have been provided for greatly in advance of present requirements, and a tapering off of war expenditures in the coming months is not improbable. Moreover, it should be possible to accomplish further economies in nonwar spending and to avoid some of the waste in war spending, without endangering a single life in the armed forces and without prolonging the war.

On the revenue side, tax collections are mounting with the growth of the national income, the expansion of consumer spending, and higher tax rates. The existing tax rates are already very heavy. We have already provided for increases of 12.5 percent in the income tax upon income received in 1943 and 1944. The social-security tax rates will automatically increase in January, unless Congress provides otherwise. The American people are buying great amounts of bonds and are placing billions of dollars into other forms of saving. All in all, our tax burdens are now at an oppressive level, and further rate increases may be expected to add to their destructive effects.

On the spending side, war outlays seem to have reached a peak and should soon start to decline. To the extent that

governmental economies can be effected, and there is a strong sentiment in Congress and throughout the country for economies, spending needs may be further lightened.

CONCLUSION

In view of the known facts, I sincerely believe that the time has come to call a halt upon further tax increases. I might have dwelt at length upon the onerous tax burdens which have been placed upon business enterprise, which have paralleled the vast increases in individual taxes. Neither business nor the individual can, without grave injury, absorb higher tax rates.

Under these conditions, a tax holiday is demanded, at least until the full revenue effects of present taxes are known. Instead of increasing the tax rates we must seek to make the existing tax laws more effective in order to produce the maximum of revenues under the present rates.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Kansas [Mr. CARLSON].

Mr. CARLSON of Kansas. Mr. Chairman, the voices of the people are being heard on the tax bill that is being reported to the House today. The tax bill under discussion is not only a product of the Ways and Means Committee; it contains the composite views of the American taxpayers. They have emphatically warned Congress that we must have less spending—not more taxes. This does not mean that the American taxpayer is unwilling to pay taxes, but it does mean that he no longer intends to have his money wasted. Evidence is everywhere of waste, extravagant spending, and money squandered recklessly. Studies and investigations by congressional committees give ample proof that agencies of the Federal Government which were given large sums of money to spend in this emergency have been not only negligent, but in many cases violated the trust and confidence that Congress placed in them. Congress itself is being criticized for many of these wasteful and unnecessary expenditures. They cannot justly escape all blame but neither should they be held responsible for executive and administrative agencies which are responsible to Congress for effective and efficient administration. The taxpayer has one test for Federal expenditures—are they necessary for the war effort? There are indications that Federal taxes are now so high as to be undermining the tax base at an accelerating rate. This reduces future taxing opportunities, threatens extinction of the great American middle class, and imposes serious handicaps on business which may delay and prevent post-war resumption of production for peacetime and the employment so crucial in our economy. Legislative actions of today will decide post-war problems of tomorrow. Tax policies during our war period may well be the determining factor as to our type of government in the post-war period.

The policy approved by Congress may well determine whether we are to continue as a democracy, operate as a socialistic state, or be forced to adopt a totalitarian government. No doubt many will say we need have no fear about a totalitarian government in our Nation. General apathy on the part of our Government and the people could and would bring this about. We must face our fiscal problems practically. The fiscal problems of the war period have been most difficult, but it is my prediction that the post-war problems will be even more so. If we do not lay a firm foundation for our post-war economy during the remaining days of the war we will be forced to take temporary and drastic steps to protect our domestic economy and preserve our type of government. There are three ways of financing this war and every other war. They are, first, taxation; second, borrowing; and third, inflation.

The question is asked, "How much should we try to raise by taxation?" The ideal way would be to levy taxes that would take care of our Federal expenditures as we make them. This would eliminate the problem of both borrowing and inflation. Of course, everyone realizes the futility of even considering the levying of taxes to meet present Federal expenditures. Our national economy could not stand it.

During the past few years we have been levying taxes that would take care of 30 to 40 percent of our Federal expenditures. Present indications are that we will be able to meet 50 percent of our Federal expenditures in the fiscal year 1944 by taxation. This, in my opinion, is not only a worthy achievement for our people, but demonstrates that they are willing to assume a heavy tax load in order to insure freedom and democracy.

The difference between the amount we secure through taxation and our Federal expenditures must be borrowed in order to balance the budget. Our national debt has been growing by leaps and bounds. The present national debt is \$165,000,000,000. Present indications are that it will reach \$210,000,000,000 by the end of the fiscal year June 30, 1944. The amount of money borrowed can be reduced by increasing our tax load and reducing Federal expenditures. The tax burden for the fiscal year 1944 will increase and there must be a reduction in expenditures.

The President in his Budget message for the fiscal year 1944 advised Congress that we would spend \$106,000,000,000. Many of us believed that we could not possibly spend over \$90,000,000,000 in the fiscal year. Recent daily Treasury statements indicate that we may not reach this figure. The War Department has already advised Congress that they expect to spend \$13,000,000,000 less than the estimate in the Budget. No doubt the Navy will submit a reduction of four or five billion dollars in expenditures. Congress is going to insist on the paring to the bone of other items of Federal expenditures. They must be reduced.

It is easier to save a dollar than to raise it by taxes.

Once a nation enters upon a spending program that shifts its production of goods and materials from consumer demand to production of instruments of war we become threatened with inflation. This has been true in every war and it is true at the present time. Inflation today is not only threatening—it is here. It constitutes a real problem. The Treasury Department has consistently urged that we greatly increase the tax burden of our citizens in order to mop up this inflationary spending money. They and other agencies have submitted estimates of the inflationary gap varying from a few billion dollars up to \$60,000,000,000. I am distrustful of figures which presume to measure this gap with any approach to exactness. Using 1943 figures as a basis it is possible to develop estimates of an inflationary gap ranging all the way from fifteen to twenty billion dollars all the way down to zero, depending upon how liberal or conservative the data is estimated. In fact, I believe it is possible to produce figures showing a negative inflationary gap while using estimates that have all the appearance of being reasonable. My personal opinion is that the restrictive programs of the present administration are doing more to cause inflation than the consumers themselves. Instead of trying to increase consumers goods, such as food, clothing, oil, and gasoline, which would mop up excess purchasing power, the administration, through the O. P. A., is reducing the production of these commodities. With increased spending capacity we must have an outlet for consumer purchasing power. Consumers would rather spend a few cents additional per pound for food than have a rigid price-control program that will destroy production to the extent that no goods will be available.

REDUCE GOVERNMENT EXPENDITURES

The elimination of unnecessary Government expenditures offers the most direct and effective attack upon inflationary policies. Federal expenditures can and must be reduced. The Byrd committee has from time to time called these unnecessary expenditures to the attention of Congress and made suggestions for a reduction of them. The Truman committee has from time to time called attention to the enormous waste of Federal funds. Innumerable instances could be mentioned, but I am not going to take the time to do it. We are not only spending Federal taxpayers' money recklessly in our own Nation—we are reaching out to every section of the globe. It is my contention that there will be a general revolt among our people when the curtain which shields much of this waste and extravagance is lifted. The day of reckoning is coming and the retribution will be drastic. Just as a sample of what we are doing with the taxpayers' money I wish to call attention to the following news story which appeared in the press at the time we were holding hearings on

the proposed ten and a half billion dollar tax bill:

MONTEVIDEO, URUGUAY, October 23.—The Uruguayan Government announced acceptance today of a \$500,000 gift from the United States Office of Coordination of Inter-American Affairs to be devoted to sanitation work and health measures.

It will be remembered that our own W. P. A. carried out a similar project in this country, much to the disgust and expense of our taxpayers. And now we are going to do the same thing in far-away Uruguay, carrying out the good-neighbor policy as it were. But this is only one of many instances of extravagance and wastefulness that this administration is practicing, and it is high time a stop was put to it.

NATIONAL DEBT

Borrowing is an integral important factor in our war financing. Unfortunately, we were using deficit financing to balance our Federal Budget for 10 years previous to our entry into World War No. 2. It was hard to arouse the country and Congress as to the danger of this method of financing our national expenditures. Every imaginable demand was made upon the Federal Government. As a Nation we conceived various boondoggling programs on which to spend borrowed money.

Harry Hopkins, close adviser to the White House, on the eve of a recent election, said, "We will spend and spend, tax and tax, and elect and elect." As a Nation we had swallowed the philosophy of the British monetary expert, Lord Keynes.

KEYNES THEORY

According to Lord Keynes, a nation can spend without limit, regardless of its income, wealth, or debt, so long as we merely owe the debt internally to ourselves. The process of paying it off involves only siphoning of money through taxation from one pocket to another. If the pockets were in the pants of the same individual there might be merit in this philosophy. Unfortunately, the pockets are quite often in the other man's pants.

Vice President WALLACE and other New Deal administrators, advise us we need have no fear as to our national solvency, regardless of astronomical indebtedness. They labor under the impression that we can borrow and borrow and spend and spend. Their philosophy is that national debt is not dangerous but respectable and possibly virtuous as we owe it to ourselves.

The national debt per capita on October 31, 1943, amounted to nearly \$1,204, or an average of \$4,816 for a family of four. During the month of October 1943, the per capita national debt increased approximately \$48, while the increase for the year ending October 31, 1943, amounted to about \$517. The highest peak the national debt reached during World War No. 1 was about \$250 per capita, or \$954 less than the present debt burden.

GROWTH OF FEDERAL DEBT

In 1910 the Federal debt of the United States was only \$1,470,000,000. By 1920

the cost of the First World War had raised this debt to \$24,298,000,000. During the 1920's, the debt was reduced steadily, falling to \$16,185,000,000 by 1930. Then the depression years of the 1930's raised the debt to \$43,000,000,000 in 1940.

On October 31, 1943, the cost of the Second World War had already lifted the national debt to \$165,000,000,000. At the present rate of expenditures and current tax collections, it is estimated that by June 30, 1944, our national debt will have reached \$210,000,000,000. Estimates for 1945 reach \$300,000,000,000.

A national debt of \$300,000,000,000 in 1945 will mean a per capita debt of approximately \$2,222 for every man, woman, and child in the country. In brief, in the span of 35 years, our per capita debt will have risen from \$12 to \$2,222, despite an increase of 47 percent in our population in this period.

The carrying charge on this indebtedness at an average interest rate of between 2 and 3 percent places a heavy burden on every taxpayer. Production that will be needed for post-war economic reconstruction must carry this burden.

Through our present deficit financing, we are unconsciously but certainly shaping our post-war economy. We must, therefore, eliminate waste, unnecessary expenditures, demand rigid economy, and a strict accounting for every dollar spent.

Per capita share of the national debt, World War No. 1 and World War No. 2 as of Oct. 31, 1943

	Total national debt	National debt per capita
	Billions of dollars	
World War No. 1:		
Pre-World War No. 1 debt (Mar. 31, 1917)	1.3	\$12
Highest World War No. 1 debt (Aug. 31, 1919)	26.6	250
Lowest post-World War No. 1 debt (Dec. 31, 1930)	16.0	130
World War No. 2:		
Pre-World War No. 2 debt (Nov. 30, 1941)	55.0	412
World War No. 2 debt 1 year ago (Oct. 31, 1942)	52.9	686
World War No. 2 debt 1 month ago (Sept. 30, 1943)	158.3	1,156
Present World War No. 2 debt (Oct. 31, 1943)	165.0	1,204

¹ Does not include guaranteed obligations of the Government agencies, which amounted to 4.1 billion dollars.

Source: The Chicago Journal of Commerce, Nov. 4, 1943.

COST OF OUR DEFENSE AND WAR PROGRAM

Fighting a global war requires expenditures of funds that are beyond the comprehension of finite minds.

World War No. 1 cost the United States around \$32,000,000,000. By August 1943 the Congress of the United States had appropriated nearly \$340,000,000,000 for the prosecution of World War No. 2. Commitments, which are made up largely of contracts awarded and the like, totaled around \$230,000,000,000. The actual cash paid out by the United States Treasury for war purposes amounted to over \$124,000,000,000.

Cost of the war program to the U. S. Government (Cumulative Totals)¹

[Billions of dollars]

Year and month	Program ²	Commitments ²	Cash expenditures ²
1940:			
July.....	9.4	4.0	0.2
December.....	21.4	14.5	1.9
1941:			
June.....	38.1	29.2	6.7
December.....	77.7	52.8	15.8
1942:			
June.....	175.6	123.0	34.9
December.....	237.9	183.8	68.2
1943:			
June.....	275.8	223.5	110.0
July.....	339.9	250.3	115.8
August.....	339.7	124.3

¹ Survey of Current Business, June 1943, p. 29, and October 1943, p. 8, U. S. Department of Commerce.

² The war program includes the money appropriated by Congress. Commitments include contracts awarded and the like. Cash expenditures are the amount of disbursements by the U. S. Treasury.

WAR-BOND PURCHASES

Are the much publicized War-bond drives a failure? A thorough analysis of the War-bond purchases in the First, Second, and Third War Loan drives convinces me that they are successful only in the dollar value of bonds sold. Every issue has been oversubscribed and that should be proof that the drives were successful. A War-bond drive is not successful unless the individual citizen purchases a large portion of the bonds sold. As of October 7, 1943, we sold approximately \$50,000,000,000 of War bonds in the three War-loan drives. The individual citizen bought only seven and one-half billion dollars of this total. Generally speaking, over 80 percent of the bonds sold in the three drives were purchased by insurance companies, mutual savings banks, State and local governments, other corporations and associations, dealers and brokers, United States Government agencies, trust funds, and commercial banks. The commercial banks bought \$10,145,000,000 worth in the First and Second Loan drives. They were prohibited from making subscriptions in the Third Loan drive. They and other financial institutions loaned purchasers over \$2,000,000,000 with which to buy bonds. Since September 15 the banks have cashed in for individuals or corporations \$3,000,000,000 worth of War bonds. Bonds purchased by banks create new credit. These purchases are highly inflationary. This policy demonstrates the futility of increasing taxes to close the inflationary gap as long as we sell large sums of War bonds to commercial banks. The insurance companies and other corporations and agencies purchased approximately \$30,000,000,000 in War bonds in the first three War-loan drives. These purchases are not inflationary, but they fail to reach the individual's excess purchasing power.

The Secretary of the Treasury has announced the month of January as the opening of the Fourth War Loan drive. The goal will be \$14,000,000,000. On the basis of previous purchases the individual citizen will take \$3,000,000,000 of the quota. It is time we face these facts.

The day of depending on movie actors, entertainers, and theatrical performers to put over our bond drives must end. We do not question the motives of these patriotic people who have given so generously of time and talent. The bond quota has been oversubscribed. Despite this fact, I contend they have failed. Our people need to be informed of the danger of the concentration of large holdings of bonds in our financial institutions. We need an educational campaign that will reach every citizen. He must be convinced that it is to his best interests and his children's best interests to own this share in his own Government. Our sacrificing and patriotic people can and will assume this obligation.

Sales of securities in the first 3 war loans by classes of investors.

[In millions of dollars]

	First War Loan	Second War Loan	Third War Loan (incomplete) ¹
Nonbanking investors:			
Individuals, partnerships, and personal trust accounts.....	1,593	3,290	4,435
Insurance companies.....	1,699	2,408	2,604
Mutual savings banks.....	620	1,195	1,502
State and local governments.....	200	503	773
Other corporations and associations ²	2,711	5,155	6,899
Dealers and brokers.....	769	544	890
U. S. Government agencies and trust funds.....	270	391	630
Commercial banks.....	5,087	5,058	-----
Total.....	12,947	18,543	17,733

¹ Sales reported through Oct. 5. Reports not yet in will raise the total by at least \$1,000,000,000, mostly sales to individuals.

² Includes eleemosynary institutions.

NOTE.—Figures are rounded to nearest million and will not necessarily add to totals.

Source: Office of the Secretary of the Treasury, Division of Research and Statistics. Oct. 7, 1943.

CONTRACT BROKERS

Our committee is making further efforts to eliminate those leeches on our taxpayers who render no service to our war effort, yet in the aggregate draw millions of dollars in fat commissions as war brokers. While our boys are giving their very all on the battle fronts—while our citizens are groaning under a heavy tax burden—we hear of calloused and unscrupulous individuals who are concerned only about commissions and brokerage fees. These despicable creatures must be removed from the backs of the taxpayers. The House Naval Affairs Committee made an investigation of the commission agents and war brokers on the procurement of Government business. Legislation was recommended by that able committee and approved by Congress. No doubt great improvement has resulted from this action. Despite present Federal statutes, rumors continue that the problem is still with us. Evidence indicates that various means and devices are being used to evade the provisions of our present statutes. Suggestions are made that these brokers are being carried on the pay rolls and on the basis of contingent fees in order to re-

ceive these unearned gains. A study of some of the individual cases makes one wonder how responsible manufacturers would be so gullible. The members of our committee were unanimous in making an effort to stop this reprehensible practice. We realize there are legitimate commission agents and brokers. It was not our intention to disrupt these necessary services. There is no doubt in my mind but what the committee wanted to reach this group of individuals who, either through political influence or friendship with the contractor, was receiving compensation in any form as a war broker. The language in the pending bill was drafted from the following crudely drawn but all-inclusive amendment that I offered. It is quoted here so as to give the intent of the committee:

Any amount paid by a contractor to a contract broker or an individual, partnership, or corporation, as a fee for securing the contract, whether paid directly by a retainer or otherwise, will not be considered as an allowable cost item for taxation or renegotiation. Authorized agents and brokers, recognized as such in the mercantile field, are exempt from this provision.

The language in the proposed bill continues existing law which lists war-contract brokers as subcontractors and makes them subject to renegotiation where the total amount received exceeds \$25,000. The language in the proposed bill broadens and strengthens existing law. The following statement analyzes the new proposal and is found on page 38 of the report accompanying H. R. 3687:

Your committee continued the provisions of existing law as to war-contract brokers, who are subject to renegotiation if the aggregate of the amounts received by such broker for the fiscal year exceeds \$25,000. This provision was further strengthened by disallowing as costs to the prime contractor any commission, percentage, brokerage, or contingent fee paid or payable to any person for, or in connection with, the soliciting or securing by such person of a contract with a department, unless such person is a bona fide established commercial or selling agency maintained by the contractor for the purpose of securing business.

CURRENT TAX PAYMENTS

During the debate on the House resolution providing for the extension of the Commodity Credit Corporation several statements were made as to the inflationary effect of the Ruml plan. In the first place, the Ruml plan was never approved by Congress, and secondly, its approval would have been deflationary. There can be no doubt about that statement because current tax collections on a higher income than the previous year's base at the same rate siphons off a larger amount of money than would have been collected in the current year on the past year's lower tax liability. Congress passed the Current Tax Payment Act of 1943. It became effective as of July 1 of this year. The statement has been made that this act was 75 percent of the Ruml plan. That is not a correct statement, but, regardless of that, tax collections will be fully current by March 15, 1945.

Let us analyze the results of this action and see how inflationary the action of Congress was. If Congress had not approved the Current Tax Payment Act of 1943 we would have collected \$9,800,000,000 in personal income taxes in 1943. This was the personal income-tax liability for the year 1942 payable in 1943 under the law previous to enactment of the Current Tax Payment Act of 1943. Under the Current Tax Payment Act we will collect approximately \$15,000,000,000 in 1943 instead of \$9,800,000,000 under the old method. In other words, we collect \$5,000,000,000 more in taxes because of the passage of that act and the fact that taxes will be collected on current income at last year's rates. This \$5,000,000,000 additional increase in tax collections for the year 1943 refute every statement and argument that collecting taxes currently is inflationary. Let no one be deceived by statements that the present method of collecting taxes as approved recently in Congress is inflationary. Following is a colloquy between Mr. Randolph Paul, General Counsel for the Treasury, and myself as found on page 179 of the hearings on the Revenue Act for 1943:

MR. CARLSON. Now, Mr. Paul, can you tell me how much additional personal-income-tax revenue we are going to collect in fiscal year 1944 because of the Current Tax Payment Act of 1943?

MR. PAUL. Roughly nearly \$5,000,000,000.

MR. CARLSON. That added to the \$9,800,000,000 would be \$14,800,000,000 that you should collect this fiscal year because we passed the Current Tax Payment Act?

MR. PAUL. We are collecting this year on the basis of a higher level of income, Mr. Carlson.

MR. CARLSON. I fully understand that, but this is collections. We are making \$14,800,000,000?

MR. PAUL. I think that our estimates of individual income-tax collections for the fiscal year 1944 are \$17,900,000,000.

MR. CARLSON. Well, \$18,000,000,000, roughly speaking, maybe we can get together on that.

MR. PAUL. That may be it.

MR. CARLSON. That additional \$5,000,000,000 we have picked up was no doubt very helpful in this drive to stop inflation; is that right?

MR. PAUL. Surely. Nobody that I have heard of in the Treasury opposed current collections.

MR. CARLSON. At no time did the Treasury have to issue any bonds because of the recently enacted Current Withholding Act?

MR. PAUL. I said that in answer to Mr. GEARHEART's question.

RENEGOTIATION

The purpose of renegotiation is to prevent an individual or corporation from retaining unconscionable war profits. Theoretically, this is a commendable law because no patriotic American citizen wants anyone to get rich out of war profits. Practically, it has not prevented war profiteering and the making of war millionaires. It is true that it has recaptured the profits from individuals and corporations who have been engaged in war production. It has, however, had no effect on concerns not engaged directly in war work.

The hotels, department stores, liquor dealers, and so on, whose business has been and will continue to be accelerated

by the war far beyond the increased acceleration in war industry are not subject to the Renegotiation Act. The justification for enactment of the Renegotiation Act was the national defense and war emergency. Necessarily a great and immediate expansion of our war program was imperative regardless of cost of our orderly procurement.

Our war effort required the immediate manufacture of many items and weapons and most of this material was produced on a large-volume basis. Under these conditions cost ascertainment was most difficult to secure and the profits were difficult to determine. The result was the approval of the Renegotiation Act.

The procurement officials have now had 3 years' experience in the purchase of war materials since Pearl Harbor. It does not seem to me that they can justify the continuance of this act as a repricing statute. Procurement officials who cannot purchase standard commodities in the open market and through competitive bid without a Federal repricing statute should be removed. An effort is being made by the officials in charge to designate the Renegotiation Act as a repricing measure instead of a tax measure. Regardless of their statements and efforts this act must be considered as a tax measure. It deals directly with the return of money to the Federal Treasury, which should have been returned through taxation.

There are, of course, instances where the tax base of a corporation was such that the 90 percent excess profits tax law did not secure full and complete elimination of excess profits. This inequality in our tax law and the need for repricing of new types of war material not previously manufactured or produced is the only basis for the continuance of the act. It is a dangerous law. It takes the taxing authority away from the Federal Government and places it in the hands of an individual. The contracts are renegotiated under existing law, not by standards established by Congress in its tax laws, but by the will and whim of individuals appointed by agents of administrative branches of our Government. Truly it can be said this is un-American.

Mr. Maurice Karker, Chairman of the War Price Adjustment Board, testifying before the Ways and Means Committee on September 9, stated: "The renegotiation of war contracts is a dangerous and un-American statute," but later conduced it on the grounds that "we are in a dangerous and destructive situation." Representatives of the War Department, Navy Department, Maritime Commission, and other agencies authorized to renegotiate contracts appeared before our committee. There is no doubt but what they are honest, capable, and patriotic. They protested vigorously any charges by members of the committee that they had shown favoritism as between manufacturers or individuals, that they had used duress in any form to secure the signature of the contractor on renegotiation, that they had in no in-

stance destroyed or damaged the corporate structure of any corporation, and that they had at all times given credit and encouragement to manufacturers in order that the manufacturers reduce and eliminate cost as far as possible. Despite these protestations of their conduct of the proceedings witness after witness appeared before our committee testifying to the contrary. I am reminded of the old adage, "Your actions speak so loud I cannot hear what you say."

Evidence clearly indicated that patriotic, capable Americans making an honest and invaluable contribution to the war effort on the home front were persecuted by individuals representing these agencies in the renegotiation of contracts.

With this background, the committee set about to revise and rewrite the Renegotiation Act. The results, I am sure, are not satisfactory. There were those in the committee who wanted to repeal the act immediately, then there were others who wanted to greatly expand the work and operations of the act. As one member of that committee I am convinced we have made great improvement in existing law. I do not expect to mention specifically the many changes that are proposed as they have been frankly discussed in the committee. I do want to mention one item that was approved by the committee and later removed on the insistence of officials in the various agencies dealing with renegotiation. In the new proposal we set forth seven factors found in section 403-A of the proposed bill, which factors must be taken into consideration in determining excessive profits. During the writing of the bill I offered an amendment adding the following words to (vii) section 403-A:

Potential financial burden to reconvert.

In the report of the committee you will find the following statement on page 36 at the conclusion of item 6:

Your committee believes that in computing excessive profits consideration should be given to the financial problems in connection with reconversion in applying factor (g).

Contractor after contractor appeared before our committee and testified that the renegotiation of their profits had removed funds needed for post-war conversion. Our manufacturers must build substantial reserves for post-war conversion if they are to immediately reconvert to post-war production and take care of our unemployment problem. The present policies of the renegotiating agencies in this regard are not only unfair to the manufacturers but they will prove disastrous to our future economic structure. In my opinion it will be much better for the manufacturers to retain a portion of existing profits for reconversion rather than open up the doors of the Federal Treasury for post-war reconversion loans.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from New Jersey [Mr. HARTLEY].

Mr. HARTLEY. Mr. Chairman, I wish to address myself to title IV of this bill.

I do so not because I expect to change any votes here this afternoon or have this title removed from the bill, but because I want to call to the attention of the Committee what has been done by the Committee on Ways and Means with reference to postage rates.

I have profound respect for every member of the Committee on Ways and Means, and I recognize the tremendous task they have had in trying to find ways and means to raise revenue.

Title IV is a tax on postage. Frankly, I do not think it comes within the purview of the Committee on Ways and Means to deal with postage rates. No hearings were held on this particular subject, and the Post Office Department was not consulted, nor were any of the thousands of small businesses throughout the United States who are to be severely hurt, particularly by the revision of third-class rates, nor were any of the charitable and educational organizations that depend upon third-class mail for the solicitation of funds for their work.

Title IV is based on the naive assumption that by raising the postage rates we are going to receive additional revenue. The history of postal rates shows that the contrary is true. Back in 1925 we revised the rates on postal cards from 1 to 2 cents on the assumption that we would obtain double the revenue. The fact is that we received less than half the revenue after the rates on postal cards were increased.

Mr. GAVIN. Mr. Chairman, will the gentleman yield?

Mr. HARTLEY. I yield to the gentleman from Pennsylvania.

Mr. GAVIN. I have some figures here that may interest the distinguished gentleman from New Jersey.

Out of a total estimated yield of \$1,901,000,000 in excess revenues voted by the committee, postal rate changes are estimated to produce \$175,000,000. In 1932, when postal volume and revenues dropped to \$583,000,000, the Post Office Department suffered a deficit of \$206,885,000. Agitation at that time for higher postal rates to save the taxpayers this expense was defeated by the argument that the deficit could only be wiped out by maintaining low rates and building up postal volume and revenues. Time has proven the soundness of that argument.

In 1942, with the same low rates existing in 1932, revenues had increased to \$889,817,000 and the deficit was reduced to \$11,825,000, a saving to taxpayers of \$195,000,000. For the fiscal year 1943, revenues are estimated at the all-time high of \$961,059,690, with an all-time low deficit of only \$3,543,122, notwithstanding Postmaster General Walker's own statement that additional revenue amounting to \$103,000,000 would have accrued to the service if all governmental departments and agencies had been required to pay postage on their free penalty mail as proposed under the Burch bill. With this additional revenue, the

service would have shown a profit of nearly \$100,000,000.

These figures and experience speak for themselves and I respectfully direct them to the attention of every Member of the House. Low postal rates encourage mailings and produce larger volume, higher revenues, and higher profits. Higher rates discourage mailings, reduce volume and lower revenues, and create deficits.

Mr. HARTLEY. I thank the gentleman for his contribution, even though he did take me off my feet very effectively. Mr. KNUTSON. Yes; but he is making a good speech for the gentleman from New Jersey.

Mr. HARTLEY. That is right, I agree. The gentleman has mentioned penalty mail. I call attention to the fact that the committee report states that the Post Office Department is operating in the red. If they did what they are supposed to do and took credit for penalty mail, they would show a profit of over \$100,000,000. We Members of Congress are accused many times of being very rash in our use of the franking privilege. I wish to make a comparison to show you where the real cost of mailing exists. It is apparent from the following table:

Comparison of commercial-rate cost of franked mail (congressional) and penalty mail (Government departments) from fiscal year 1932 to 1943, inclusive

Fiscal year	Penalty mail	Franked mail
1932.....	\$9,155,899	\$778,436
1933.....	14,315,414	1,019,621
1934.....	23,094,882	775,785
1935.....	31,281,600	577,162
1936.....	32,236,269	751,579
1937.....	34,081,927	1,137,440
1938.....	35,690,807	779,254
1939.....	38,231,125	1,003,558
1940.....	41,533,510	1,217,346
1941.....	51,557,496	923,686
1942.....	71,924,122	766,839
1943.....	1103,000,000	1,000,000

¹ Approximately.

The proposal to double the rates of postage on third-class mail matter is designed to raise \$74,400,000. The proposal completely ignores the law of diminishing returns. The estimate of additional revenue is based upon the postage actually received from third-class mail matter in the fiscal year ended June 30, 1942, aggregating \$74,378,000. As a matter of fact, the postage for third-class mail matter for the fiscal year ended June 30, 1943, was \$10,000,000 less than in the fiscal year 1942. This decrease in postage is due to a number of factors, among them the shortage of paper and curtailment of use of paper by order of the War Production Board.

Generally speaking, the postage rate on a large volume of third-class mail matter is 12 cents per pound, subject to minimum charge of 1 cent per piece. Under the Ways and Means Committee proposal this rate would be 24 cents per pound with a minimum of 2 cents per piece, and on mailings of third class by mailers who mail only small quantities, the rate would be increased from 1½ cents for each 2 ounces to 3 cents for each 2 ounces, and subject to minimum of 3 cents per piece. It is obvious that

the mailer of third-class matter in small quantities, who now pays 1½ cents per piece, cannot pay 3 cents per piece for unsealed circular matter.

For the large mailer of third-class mail matter in bulk, the rate of 24 cents per pound, or a minimum of 2 cents per piece, will likewise be forced to curtail tremendously the volume of mailings. Therefore, it is probable that the Post Office Department would not realize as much postage on third-class mail under the higher rates as it now receives at the lower rates. Furthermore, it is doubtful whether the Department would be able to reduce expenditures to any appreciable extent by virtue of the reduced mailings.

In 1925 the Post Office Department had some experience with higher rates than the present rates on third-class mail matter, and the higher rates resulted in a decrease in total postage received. The Post Office Department also had similar disastrous experience with the doubling of the penny postal card rate in 1925, when it was increased from 1 to 2 cents. The postage formerly received from penny postal cards almost entirely disappeared from the postal account books. In the fiscal years 1933 and 1934 the maximum wartime rate on second class was restored by amendment to the 1932 Revenue Act. The experience of the Post Office in this increase, which averaged approximately 25 percent increase over the existing rates, resulted in the Post Office Department actually receiving less revenue at the increased rates than it did at the lower rates. In all these cases of decreased revenues the Department was unable to make any tangible reduction in expenditures, and its deficit was greatest in those years when its receipts from postage under higher rates was less than ordinarily.

In contrast, the Post Office Department is now operating on rates that encourage the use of postal facilities and notwithstanding the fact that the Department rendered free services for the Government departments amounting to \$154,000,000, for the fiscal year ending June 30, 1943, the Department had an operating deficit, that is, cash deficit without any credits for such free services, of only \$3,543,000, and for the 12 months period ended September 30, 1943, the Postmaster General announced that for the first time in the history of the Department the total cash receipts aggregated over \$1,000,000,000, and that the Department had a cash operating profit of \$12,000,000, notwithstanding no credit was taken for the enormous amount of free services rendered the other Government departments.

The Post Office Department has a monopoly on first-class mail matter. This is the only class of mail matter where the law of diminishing returns does not apply to the same extent as in the other classes of mail, for the simple reason that there can be no competition with the Post Office Department on the transmission of letters, whereas other classes of mail matter move by competing methods of transportation, or do not

originate at all because postage rates or rates of transportation are too high.

The Post Office Department must of necessity maintain an enormous organization for the handling of first-class mail matter. The lower rates on other classes of mail matter, such as second, third, fourth class (parcel post), money orders, registry, insurance, c. o. d., are in the nature of fillers-in and rates generally in the past have been fixed for those classes on a basis which will encourage the use of the maximum facilities of the postal establishment. The results for the 12 months ended September 30, 1943, which enabled the Department to show a cash operating profit of \$12,000,000 and at the same time render \$154,000,000 worth of free services for the other Government departments, for which they received no credit, should convince all fair-minded persons who wish to look the facts squarely in the face that postal rates on classes other than first-class mail should not be tampered with or without a most careful study.

The following letters and wires foretell the inevitable result of this tax on the Postal Service:

BROOKLYN, N. Y.

HON. FRED A. HARTLEY, JR.,

House Post Office Committee:

Respectfully urge immediate reconsideration of proposed increase in third-class postage rate. Our nonprofit religious organization publishes New Testament missals and official religious books required for military and civilian use. Armed forces have been supplied with 2,000,000 New Testaments, for which we supplied original plates without cost to Government Printing Office. Armed forces have also been supplied with millions of my military missals and my Sunday missals through the U. S. O. at less than actual cost. Over 600,000 soldiers received gift books donated by our members. Increased third-class postage rates would force us to abandon mailing to these members, who make it possible for us to continue this subsidized production of the most vitally needed religious books for servicemen and chaplains in the armed services and for morale building amongst civilians.

REV. JOSEPH F. STEDMAN,

Confraternity of the Precious Blood.

BALTIMORE, MD., November 12, 1943.

FRED A. HARTLEY, JR.,

House Post Office Committee,

Washington, D. C.:

Our foreign mission headquarters appeals by mail for funds for charitable missionary work. Proposed increase on third-class postage rates will decrease the income to our missionaries by \$15,000 each year. This may force us to cease mailing appeals, thus hampering religious activities and taking from the Post Office Department the great sum which we now spend on postage. Please register our objection to increase in postage rates.

REV. RALPH M. FONTAINE,

BALTIMORE, MD., November 10, 1943.

Representative FRED A. HARTLEY, JR.,

House Post Office Committee,

Washington, D. C.:

The proposed increase in postage rates, especially on mail under 562, would be impossible burden on Holy Trinity Fathers through increasing our annual postage expenses by \$30,000. We seek financial aid for missionaries and students for priesthood through mail appeals. Increased rates will

cause us to suffer irreparable loss and result in complete elimination of our mail.

Rev. E. CYPRIAN NUSCA,
Holy Trinity Fathers,
Park Heights Avenue, Pikesville, Md.

TONER INSTITUTE,
Pittsburgh, Pa., November 10, 1943.
Mr. FRED A. HARTLEY, Jr.,
House Post Office Committee,
Washington, D. C.

DEAR SIR: Our home for orphan boys is supported mainly by contributions solicited by mail. We object to Ways and Means Committee proposed increase in third-class postage rate, as it would deprive us of funds necessary to care for orphans. Under proposed rate our mailing may have to be discontinued, causing great loss to the Post Office each year.

Sincerely yours,

Rev. REGIS P. KRAH,
O. M. Cap., Director.

PETER HENDERSON & Co.,
New York, N. Y., November 11, 1943.
The Honorable FRED A. HARTLEY, Jr.,
The House of Representatives,
Washington, D. C.

DEAR SIR: We know that you will give careful consideration to the recommendation of the House Ways and Means Committee to increase certain postage rates. Once you have studied all the facts, however, we are confident that you will decide against their recommendation.

First, there is the irrefutable fact that an increase in postage rates is followed by a sharp reduction in volume. Thus there is a decrease in revenue instead of an increase. To cite one example, when in 1917 the rate on penny post cards was increased to 2 cents, revenue from this class of mail immediately dropped from \$20,000,000 to \$10,000,000.

Second, the Postal Service is an essential service and should not be employed as a taxing medium. It plays a vital part in the daily life of the Nation, and it should not be classified as a luxury.

Third, the present postal rates are doing a good job in producing revenue. Postmaster General Walker has said that if all governmental departments and agencies were required to pay postage on their free penalty mail, the Department would have shown a profit of \$100,000,000 in 1942.

Fourth, the proposed 3 percent tax on parcel post would be a discriminatory tax against the mail-order houses, and more particularly against the seed industry which does the bulk of its business with Victory gardeners through the mail. It would seem that this tax is also directed against the dwellers in rural communities, since it is obvious that the people living in the larger towns have much less occasion to purchase by mail.

Lower postal rates encourage mailings, and they produce larger volume and higher revenue. Higher postal rates will have a disastrous effect on business mail users, and bring less revenue to the government.

Very truly yours,

PETER HENDERSON & Co.,
HARRY CANDY, President.

TANNERS SHOE Co.,
Boston, Mass., November 12, 1943.
Hon. FRED A. HARTLEY, Jr.,
House Post Office and Post Roads
Committee, Washington, D. C.

SIR: We desire to enter our protest against the proposed increase in the postal rates now being considered by the House Ways and Means Committee.

We feel that the Postal Service should not be used as a means of taxation. The proposed increases are so great that their purpose can only be the raising of money for

other purposes, and not for the expense of the Post Office.

The rate increase would be an unfair discrimination against certain classes of businesses. For example, for 23 years we have shipped single pairs of shoes to the consumer by parcel post, c. o. d. The doubling of the c. o. d. and the increase of the money-order fee would raise the cost of our shoes about 25 cents per pair. The raising of these rates would not affect the mail-order houses who do not use c. o. d., as the parcel-post rates are not to be increased.

The rate increase is a step against the Government policy of holding the line on prices. By a large increase in postal rates, there would have to be a corresponding increase in prices. Many firms would have to request higher price ceilings for their goods, for these excessive proposed increases could not be absorbed with present ceilings.

Furthermore, these new rates might well result in an actual loss of revenue. For example, we would possibly abandon our traditional method of c. o. d. shipment in favor of prepaid parcel post, thus losing for the Post Office the present revenue they get from c. o. d. shipments. Many firms would turn away from the mails to other forms of distribution.

Therefore we object to the proposed increases as a form of taxation, as a discrimination against certain types of businesses in favor of others, as a cause of increase in ceiling prices on many items, and as an ill-advised plan which may result in a very slight increase in revenue due to a transfer of present Post Office volume to other means of distribution.

Respectfully yours,

L. SHAPIRO, General Manager.

EDUCATORS ASSOCIATION, INC.,
New York, N. Y. November 9, 1943.
Representative FRED A. HARTLEY, Jr.,
House Office Building,
Washington, D. C.

MY DEAR REPRESENTATIVE: May we ask you to please vote against the increasing of postage rates from the present rates? A few of my reasons are as follows:

First, this will be a disappointment in the raising of revenue to pay Government expenses because people will just reduce the use of the mails. If I remember rightly, in 1917, when the mail rate on postal cards was doubled, the revenue was reduced about 50 percent. I think this holds true in all classes of mail with one exception and that is air mail, because I believe that people will pay 8 cents to send an air-mail letter, where it now only costs 6 cents. I believe all the other proposed classes of mail at the new rates will simply reduce tremendously the amount of postage used. For example, the increase in money orders will make it unprofitable to send money orders, and people will use bank checks in place of them.

Second, such an increase will cause a reduction in all classes of mail that are sent to our boys in the armed forces and in our judgment that would be a national calamity.

Third, such an increase will drive many mail-order houses out of business and thus automatically the revenue will be reduced. Our firm does not fall in that class.

Very cordially yours,

L. L. TULLY.

THE HENSLEY CO.,
Chicago, November 8, 1943.
Hon. FRED A. HARTLEY, Jr.,
House Office Building,
Washington, D. C.

HONORABLE SIR: The surest and quickest way for Congress to make the United States Postal Department an insolvent beggar in the family of Government agencies is to permit the Ways and Means Committee to raise postal rates.

That statement comes straight from the men who buy the stamps—the business firms—the large mailers of first- and third-class mail—the mailers who are now and who have been keeping the Post Office in the black.

Every large national mailer we have talked to (and the list of 9 of our customers account for some 50,000,000 pieces of mail matter each year) is unalterably opposed to this blighting legislation.

No one could possibly gain from it, not even the individual who mails a single letter a day to a soldier, sailor, or marine. And everyone who mails, or who receives mail, or who handles mail, and delivers it to the Nation's post offices would lose. And this is why: Instead of doubling present postal receipts (as some gullibles seem to dream) it will indubitably cut the amount of mail matter in half, or worse. Just as that foolish raise of the 1-cent post-card rate to 2 cents back in 1917 cut the normal yearly revenue of \$20,000,000 down to \$10,000,000.

To sum up the aroused sentiment: The Nation's mailers do not want it. The recipients of mail do not want it. (They are all mailers themselves.) And we, who serve the users of mail, naturally do not want it.

It would kill the "goose that lays the golden egg" for the Post Office.

Therefore, we respectfully appeal to you to vote against this pernicious bill.

Respectfully,

THE HENSLEY CO.,
A. J. JOLIE, President.

CONDON BROS., SEEDSMEN,
Rockford, Ill., November 15, 1943.
Hon. Congressman FRED A. HARTLEY, Jr.,
House Office Building,
Washington, D. C.

MY DEAR CONGRESSMAN: Recent press releases indicating radical increases in postal rates, particularly in the third-class division, would, if put into effect in full or part, practically put us out of business in a mail-order way.

We have been growing and distributing garden seed to the planters of the Nation through the mail-order medium for more than one-third of a century. Our catalog circulation is in excess of 2,000,000 copies. We hit the 4 corners of the Nation and render service to planters both on proper varieties to plant in their section, quantity of seed required for given acreage, complete cultural directions, as well as canning guide instructions for preserving their surplus products.

It is a well-known fact that this service enlarged the past 2 years by Victory garden movement, made a great contribution to the welfare of the Nation. There is no other means of reaching and serving this vast number of customers except through the mail-order division, made possible by good postal service and reasonable rates.

We recognize the necessity of higher taxes on business in order to properly finance the war to complete victory and a lasting peace, but at the same time, if you tax the means of getting business before the business is secured, such as would occur in an increased postal rate on third-class matter, seed catalogs and seed packages, the Government would wake up with diminishing returns the same as developed back in about 1917, when they increased the penny postal card rate from 1 to 2 cents.

We solicit your earnest support and cooperation in a spirit of justice to all that the present postal rates be and remain as they are for the time being.

Yours sincerely,

CONDON BROS., SEEDSMEN,
By LEONARD R. CONDON,
Secretary and Treasurer.

THE WARD-STILSON CO.,
Anderson, Ind., November 11, 1943.

The Honorable FRED A. HARTLEY, JR.,
House Office Building, Washington, D. C.

DEAR SIR: Being a very heavy mail user, we are naturally very much concerned over the possibility of increased postal rates.

We would like to register our protest against such action for the following reason:

Increased postal rates as a means of taxation is economically unsound, as it will result in curtailment of the use of mails wherever possible, and this will at least partially defeat the revenue-raising purpose.

The item that gives us greatest concern is the proposed increase on c. o. d. packages. Doubling this rate as proposed would increase our postal cost something more than \$5,000 a month on our average of 40,000 c. o. d. shipments per month. This increased expense cannot be passed along to the purchaser in the face of present price controls.

Such an increase in expense would seriously jeopardize our business.

We recognize the difficulty of the problem at hand and realize that you are doing everything possible to make an equitable distribution of the tax levies. We trust that it will be possible for you to find a more desirable and practical method and that postal rates will be continued without increases.

Respectfully yours,

THE WARD-STILSON CO.,
W. K. STILSON, President.

OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., July 7, 1942.

HON. ROBERT L. DOUGHTON,
Chairman, Committee on Ways and Means, House of Representatives,
Washington, D. C.

DEAR MR. CHAIRMAN: I have your letter of June 25, 1942, which suggests certain action on the part of the Post Office Department in respect of postage rates on second and third class mail matter. Careful consideration has been given to this letter, which informs me of a motion of the Committee on Ways and Means, and the request of the committee that the language of the motion be studied, and that I report as to the feasibility of the proposition therein expressed, and make such recommendations as may seem appropriate.

This proposition of the Committee on Ways and Means is as follows:

"SEC. —. The Postmaster General is hereby authorized and directed to prescribe after notice and hearings, but not later than 90 days after the date of enactment of this act, regulations providing for such increases in the rates of postage applicable to mail matter of the second class (except free county matter) and mail matter of the third class as may be necessary in order that the revenues in the case of each such class and in the case of reasonable classifications within each such class will fairly approximate the costs and expenditures attributable thereto, and to amend such regulations, from time to time, to the extent necessary to carry out the purpose of this act. The rates of postage provided for in such regulations shall become effective, in lieu of the rates now provided by law, within such reasonable time after the promulgation of such regulations as the Postmaster General may provide therein. The regulations prescribed pursuant to the provisions of this act shall be published in the Federal Register."

May I at the outset say that I heartily approve your proposal that the Postmaster General be authorized and directed to conduct public hearings for the purpose of examining and studying postal rates and making recommendations to Congress with reference thereto. The proposal is the most important made in modern postal history. The need for this study is most urgent. I feel it is highly desirable that the hearings be conducted publicly. This is in the best interests

of the Postal Establishment and the host of mail users as well. It should serve also to bring to the public a better understanding of the affairs of the Postal Service and should lead to a more clearly defined public policy.

I beg leave, however, to make the following recommendations to your committee:

1. That the proposed legislation direct that the study, hearings, and authority embrace all postage rates and rates for all services performed by the Postal Establishment;

2. That no time limit be prescribed for the fixing of rates but that the proposed legislation direct that the studies and hearings be begun promptly;

3. That the language of the proposed legislation be amended to require that postage rates and rates for postal services in cases, classes, and classifications within classes, wherein the Government has the monopoly, be fixed so as to fairly approximate the costs and expenditures respectively attributable thereto;

4. That the proposed legislation be amended to require that costs and expenditures be determined respectively attributable to all other cases, classes, and classifications within classes, wherein the Government does not have the monopoly, and that the rates thereof be fixed in the light of the general welfare and the public interest; and

5. That the legislation be amended so that regulations of the Postmaster General establishing a rate of postage or a rate for service be not effective until 60 days after the regulation fixing the rate is reported to both Houses of Congress.

At my first appearance before the Bureau of the Budget and the subcommittee of the Appropriations Committee last year, I indicated that in my opinion there was a real necessity for a scientific study of costs and revenues, and an intelligent application of the results of the study to the postal business.

Few appreciate the magnitude or the vastness of the Postal Establishment. Few realize what an immense and involved business structure and service agency it has come to be. It is a business operated through more than 44,000 post offices. It employs more than 336,000 persons. It handles each year accountable cash, property, and stock of the value of more than \$8,000,000,000. It is an intricate, involved, and complicated enterprise of immense detail and tremendous day-to-day operation. Its work is most exacting and requires the best in efficiency. This huge enterprise is operated with a main or headquarters office personnel of 13,177 persons. It is inspected, audited, and instructed in its workings by an inspection force of 750 men.

It is obvious that the important and exacting work of cost and revenue studies cannot be carried forward adequately with the limited departmental and inspection force available, for even now the staff is overburdened with the tremendous task of day-to-day operations.

These views, as I have said, were presented to the Bureau of the Budget and to the subcommittee of the Appropriations Committee last year in connection with the 1943 estimates for the Postal Establishment, and again in the past few months in connection with the deficiency appropriation for 1942. The Congress sympathetically considered our management problems, and we were allowed, effective July 1, 1942, for the fiscal year 1943, \$25,000 for budget and administrative planning, 4 minor executive places, and 27 minor clerical places for the departmental service, and 100 additional post-office inspectors. Our estimates for these requirements were substantially larger, and were based upon a peacetime postal service. Subsequently, the Congress allowed the recruitment of the additional post-office inspectors to begin April 1, and several weeks ago these inspectors

completed their preliminary training, which starts them on their 3½-year course to become qualified post-office inspectors.

These recommendations to the Budget and the Appropriations Committee were made to care for a condition existing in the Department a year since. Before relief was granted, the war was upon us, and its coming brought new and greater problems to the establishment. Wartime postal security and conservation procedures had to be planned and placed in operation. Not only was it necessary to instruct and train the entire postal personnel in the application of these procedures, but we have the continual task of seeing to it that these procedures are followed and made more effective throughout the entire Postal Establishment.

In addition, the rubber shortage caused by the war has brought us the altogether new problem of finding ways and means and formulating plans for moving the mails over 3,236,000,000 tire-miles per year, notwithstanding curtailments of rubber supplies. Unless an adequate supply of rubber is made available, this will be a problem of readjustment of the first magnitude necessarily involving vast changes in routes, schedules, and mail-handling operations, not only during the war period, but requiring readjustments of comparable complexity after the war.

In addition to all this there have come tremendous demands for additional postal work and services from other departments and agencies of the Government to assist in the war effort.

For these reasons the Department cannot study and plan adequately for improvement and simplification of operation and management procedures, nor can it make the continuous and essentially scientific cost and revenue studies that must be made, nor can it plan sufficiently for the readjustments so necessary to meet the present daily changes in the postal business, in general business, and in the national economy during the wartime and in the time of peace to come.

Departmental hours have been increased; officials and the inspection force have extended their own hours to the utmost. But we have not been able thereby to obtain the management manpower necessary to perform even our daily tasks in the manner and with the thoughtful and deliberate consideration that all of us in the Postal Service recognize as absolutely essential.

With the encouragement we have received from Congress in recent months, and realizing the desire of Congress to see to it that the Postal Service is implemented sufficiently to conduct its affairs on a businesslike basis, I have in the meantime attempted, within the limits of available personnel, to make a start on certain phases of postal operations which are directly related to costs, revenues, and rates.

Postal business has been managed upon revenue and expenditure figures. It has seemed to me that the real guide for management is to be found in the volume and costs. I have felt for some time, as I indicated in the hearings before the Appropriations Committee last year and again in my annual report for the fiscal year 1941, that the peak of postal revenues would soon be reached and that postal work volume and costs would increase. In discussing general postal business with the Appropriations subcommittee last year before the inception of the war, I stated that I was very dubious of the general financial position of the postal establishment as then estimated for the fiscal year 1943, because costs were steadily mounting. I felt then, as I do now, that we should have more complete operation and cost data in order that significant changes in the trend of postal affairs might be brought promptly to the attention of the executive and legislative branches of the Government for necessary action.

In order to keep informed currently of the situation, in February of this year I instituted a system of monthly reports from 172 of the largest post offices to reflect promptly trends in postal business. While the reports are not conclusive and as yet do not contain the detail which I believe the Department should have continuously before it, I feel that these reports are accurately representative of the trends. On the basis of this information, the fiscal year 1942 as a whole will show an increase in revenues over the fiscal year 1941, and the actual postal deficit will be the smallest since 1926. The Department has definitely passed the peak of revenues, yet the work-load volume is steadily increasing and will continue to do so. In my opinion, there will be a substantial decline in postal revenues for the fiscal year 1943 and a substantial increase in work-load volume. This will cause expenditures to greatly exceed revenues and result in a substantial postal deficit.

To what extent, and to what amount in money this will be reflected, I am not yet in a position to approximate since this is an entirely new phase in postal history. Heretofore when there has been a decline in postal revenues, there has also been a decline in postal work-load volume, not actually corresponding but nevertheless rather parallel. The Department, therefore, more than ever before, needs to equip itself with operating, volume, and cost data.

To obtain and analyze these essential data and to begin promptly the necessary budget and administrative planning work on the effective date of the 1943 appropriation, I had in readiness certain plans which were put in effect July 1, 1942. I have established the Office of Budget and Administrative Planning and laid down a program of work for it. I have brought together under the Bureau of Accounts all the work of the Department in connection with reports and accounts affecting over-all operations and the ascertainment of costs.

Last year I started the work of surveying all mail handling and financial operations in the field in order that there might be available for the first time complete and factually accurate bases for the continuous improvement and simplification of postal operations, and for use in the analyses of factors of cost. The preliminary gathering of these data has been completed and graphic charts showing these field operations in detail have been furnished to departmental officials and the inspection force for study.

As a result of information obtained during this preliminary survey the Department has been able to eliminate and consolidate more reports and forms than in any like period in modern postal history. This has been possible without detracting in any way from the efficiency of operations and without dispensing with necessary financial and management data. By the discontinuance of one report form, the Postal Service has been saved each year the necessity of preparing and submitting 229,000 individual reports. By dispensing with one group of 22 reports, the work of preparing and verifying more than 47,000,000 entries in the field and reviewing them in the Department each year has been eliminated. By the abolition of one group of 8 reports, the Postal Establishment has not only saved the actual cost of 444,000 envelopes, but what is more important, it has eliminated the work of preparing the reports involved and the cost of addressing, handling, and distributing them each year.

In order that instructions for the guidance of the 44,000 post offices and the postal personnel be simplified, made uniform, and consistent, and so that instructions might be more economically and efficiently placed in effect by the postal personnel, I made certain changes in the Postal Bulletin effective March 15, 1942. It has been found possible

not only to curtail the publication of the daily Postal Bulletin to three issues a week, but also to reduce the average number of pages published each month from 62 to 20. The cost of printing the Postal Bulletin during the months of April and May 1940 and 1941 averaged \$8,500, whereas during April and May 1942 costs have been reduced to \$4,450. This saving has been made notwithstanding the increase in per page printing cost of over 20 percent. By this curtailment and reduction of the Postal Bulletin, not only does the field continue to be as well informed, but there will be a saving of over 1,000,000 envelopes each year.

I cite these few examples merely for the purpose of demonstrating the possibilities of benefits and savings that may be had if and when sufficient manpower is available to scrutinize constantly procedures, reports, and forms from the standpoint of efficiency and economy of operations. The Postal Establishment must constantly seek to simplify and improve its operations and methods so that greater efficiency and intelligent economy may result. Savings due to these efforts should be important and substantial in dollar amount.

However, these savings, in terms of percentage of total postal expenditures, are necessarily small. Economies in the Postal Establishment are confined to a narrow field. Of total annual postal expenditures of more than \$800,000,000, approximately 75 cents of each dollar expended is paid out for the services of personnel in the field and 20 cents of each dollar is paid out for transportation of the mails. By reason of statutory limitations, requirements, and directions made over the years, permanent charges have been placed upon the Postal Establishment in these two classes of expenditures. These charges make it virtually impossible to flatly or arbitrarily cut expenditures—if the mail is to be moved with dispatch—if the facilities of the Postal Service are to remain available to the public, and if the postal organization is to be used by the Government to carry out national-policy programs. Thus the field of opportunity for working out economies is limited to the remaining 5 cents of the dollar expended.

There remains but one alternative in the field of economy and that is to restrict the type and kind of service that is in the very tradition of the United States Postal Service. A step in this direction would, of necessity, have as its effect the curtailment of deliveries and dispatches, would reduce the facilities of the Postal Service available for hire by the public, and would limit substantially the use of the postal organization by the Government in carrying out national-policy activities. Such a radical step would be contrary to the tradition of the Department and a drastic departure from the national policy pursued by our Government since the creation of the Postal Establishment.

Another and even larger factor in this relationship between revenues and expenditures is the work and service performed by the Postal Establishment for other governmental agencies. Other branches and agencies of the Government continue to rely more and more upon the postal organization to assist and implement their work. The free mail privilege for governmental agencies, and the provision for custodial and maintenance equipment and services for quarters located in post-office buildings and used by other Government agencies, are important and well-known services furnished by the establishment.

However, at no time in its modern-day history have so many services in such tremendous volume been expected of and required to be furnished by the Postal Establishment. Registration of aliens, reregistration of enemy aliens, rehandling of mail for censorship, establishment of postal facilities for

more than 700 military units, free mail privilege for our armed forces, selling and accounting for 58,000,000 motor use tax stamps valued at \$206,000,000, selling and accounting for 19,000,000 Defense-War Savings bonds valued at \$958,000,000,¹ selling and accounting for 1,517,000,000 Defense-War Savings stamps valued at \$310,000,000,¹ and dozens of other services added substantially to the postal work-load during the past year.

For the past year a serious effort has been made to obtain reimbursement from other agencies of the Government for this work. While the Department has had more success in obtaining reimbursement than heretofore, yet statutory restrictions and directions prevent reimbursement for many of these services. On the whole, the Postal Establishment is being reimbursed only a minor fraction of the expense incurred for these services. The performance of these services likewise has a distinct bearing upon the relationship of revenues and expenditures of the Postal Establishment, and upon the revenues derived from the various classes of mail and special services and the costs and expenditures attributable thereto.

Another and vital factor in these relationships has been the enormous changes occurring in our national economy due to the war effort. In modern postal history there have been no such great shifts of population and no great conversions of industry. Thus plans for field personnel, buildings, equipment, and transportation could be based upon the expectation of a rather predictable growth in population and business. True, business cycles had their effect upon the postal business, but this effect was almost solely limited to declining or increasing postal volume and postal receipts. Postal expenditures, to some extent, paralleled postal revenues, and it has been axiomatic in the Postal Service that declining revenues meant declining work volume.

In a period of business depression the adjustment of postal expenditures to revenues has never been easily managed. Beginning in the early thirties, the Postal Establishment had the experience and felt the effect of decreased postal income and volume, which dropped sharply with the decline in general business activity. The public curtailed the use of postal services and facilities; that meant less postal work load and volume, and obviously less expenditures for personnel and transportation were required to move the mails and provide the services. Executive and legislative action, though distasteful, became imperative. This adjustment between revenues and expenditures took many months and was climaxed by the payless furlough, affecting every employee in the Postal Service.

¹During the last war the Postal Establishment was also utilized to sell Government securities of two kinds, 25-cent Thrift stamps and \$5 War stamps. While the volume and amount of these sales were tremendous, they were, in a recent comparable period of this war, greatly exceeded.

Postal Establishment sale of Government securities

Securities sold	Dec. 1, 1917, to June 30, 1918	Dec. 1, 1941, to June 30, 1942	Per- cent- age in- crease
Savings and War stamps.....	\$386,920,504.03	\$284,053,000.....	
Savings bonds.....	744,329,000.....	
Total.....	386,920,504.03	1,028,382,000	165.52
Total number of individual securities sold.....	283,255,239	1,520,244,000	436.70

At this time the Postal Establishment has encountered no mere change in the business cycle. It is confronted by great, and at this time unpredictable, changes in the national economy, great shifts in population, great mobilization of military forces, and complete conversion of business to war industry. All previous gages, principles, and factors which have been useful in charting and forecasting the future of the operations of the Postal Establishment have become virtually valueless and meaningless.

To illustrate this, it now appears that during May 1942, at the 172 largest post offices which have usually accounted for 71 percent of total postal revenues, there was a decrease of \$2,351,450, or 5.62 percent, in postal revenues and a decrease of 529,139, or 9.36 percent in the number of sacks of parcel post dispatched, compared with May 1941.

In the same period the number of domestic money orders issued increased 896,910, or 13.39 percent; the number of savings bonds sold increased 1,034,640, or 394 percent; the number of paid domestic registered articles increased 1,458,434, or 61.48 percent; the number of free domestic registered articles increased 425,547, or 61.88 percent; the number of special delivery articles delivered increased 577,523, or 9.4 percent; and the number of pouches of mail other than parcel post received and dispatched increased 196,909, or 7.5 percent. Thus, notwithstanding the sharp decline in postal revenues shown in these few offices, there was an increase of more than 4,500,000 in the number of transactions in the various postal services.

The expenditures at these 172 largest post offices for the month of May 1941 totaled \$35,616,771.55, and for the month of May 1942 the expenditures of these offices were \$37,149,672.83, an increase of \$1,532,901.28, or 4.3 percent.

Business at the smaller offices differed substantially. During May 1942 stamp sales to the 28,000 fourth-class offices increased 6.15 percent over May 1941, and stamp sales to the 10,000 third-class offices increased 4.77 percent. During the same month the number of money orders paid at the 38,000 third- and fourth-class post offices increased 23.93 percent.

The usual relationships and trends between postal revenues, volume, and transactions, and as between classes of post offices, no longer exist.

The present dynamics of the national economy have and will continue to have a most important bearing upon the relation of the revenues derived from the various classes of mail and the special services, and the costs and expenditures attributable thereto.

The largest factor in this relationship between postal revenues and expenditures, as the proposal of your committee indicates, is postal rates—rates for service as well as for mail. My studies have brought me definitely to the conclusion that too little attention has been paid to the relationship that exists between postal rates on the one hand, and financial considerations and the public welfare on the other. Notwithstanding that postal rates and costs are involved and complex, it is in the public interest that they be understood more widely and more often subjected to public scrutiny.

In private business, costs have always been the principal consideration in fixing the rates or charges for the product. In postal business, public welfare has received serious consideration in the fixing of rates. It is proper that this policy should be continued in some measure. However, in fixing the postal rate structure consideration should be given to the factor of actual cost as well as to the public welfare. It seems to me that these considerations and factors have never been adequately integrated in postal rates.

It has been said that revenues from few classes of mail or postal services approximate

the costs and expenditures attributable thereto—for instance, special delivery. A special delivery fee of 10 cents for a letter is fixed by statute. Another statute fixes a fee of 9 cents to be paid the special delivery messenger. The cost of the extra work involved in this transaction is not at all commensurate with the 1 cent which remains available to meet postal operating expense. If the special delivery message is to bear the costs and expenditures attributable to it, it should bear the cost of (1) printing the special delivery stamp; (2) sending the stamp to the post office for sale; (3) charging the stamp out to the window clerk for sale; (4) clerical time in selling the stamp and accounting for its purchase; (5) clerical time attributable to the handling of the stamp in and on the necessary accounting forms, records, and reports concerning the disposition of the stamp and its proceeds, and the attributable share of the cost of the yearly audit of the post office selling the stamp; (6) preferential handling of the special delivery letter from the place of collection through the post offices of dispatch, through the post office of receipt of the place of delivery; (7) clerical time attributable to the handling of the letter and recording it on forms, records, and reports at the post office of delivery, and the attributable share of the cost of the yearly inspection of the post office and facilities handling the special delivery letter, and (8) attributable share of the cost of supervision of the special delivery system. Last year more than 103,000,000 special deliveries were made and the volume is increasing.

An examination of the money-order system may cause one to reach the same conclusion, as the minimum fee of 6 cents fixed by statute is said not to be commensurate with the cost of the extra work involved in money-order transactions. Handling of a money order involves substantially more postal work than a special-delivery message. In the issuance of a money order, more than 15 separate entries must be made by the issuing clerk. Much special office equipment must be utilized. Last year more than 275,000,000 money orders were issued and paid. This makes 550,000,000 separate accounting and auditing transactions. Money-order volume is increasing.

Likewise, it may be said that third-class mail does not approximate the costs and expenditures attributable thereto. The basic statutory rate of postage on third-class matter is 1½ cents for each 2 ounces or fraction thereof (first-class nonlocal mail is 3 cents per ounce, or fraction thereof). For the 1½ cents, the Postal Service will deliver a 2-ounce item of printed matter to any postal patron anywhere in the United States. In the main, there is little difference in the expense involved in the transmission and delivery of a 2-ounce first-class letter, for which the Postal Service would receive 6 cents, and the 2-ounce piece of third-class matter for which the Postal Service receives 1½ cents, except that the third-class matter does not receive the same priority in handling. It does require a comparable amount of clerical work in connection with its collection, distribution, transportation, and delivery.

Thus, it may appear by these illustrations that the postal fees or rates charged do not meet the expense attributable to the service.

Many say that these services are in the public interest. The public must have an inexpensive method of quick communication—thus special delivery; others contend that business and private affairs require an economical means of security for the transmission of small sums of money—thus money orders; still others say that industry in order to develop and increase employment, must have a means of bringing its products directly to the attention of prospective purchasers at nominal rates—thus low third-class postage rates.

Surmounting these considerations is the actual but seemingly intangible contribution that the Postal Establishment by its service has made to the unity of the Nation through the dissemination of information and knowledge, and the more obvious aid it has been to the progress and growth of business and industry through its Nation-wide facilities for the transmission and safeguarding of communications and valuables at nominal cost to its patrons.

Services performed in the public welfare should not be rendered, however, with entire disregard of public cost.

It seems that postal costs have not as yet been measured scientifically. In the last 20 years great strides have been made in the techniques of time and cost studies and in the methods of cost accounting, but the Postal Service has not been equipped to keep its cost studies progressing in the light of improvements and gains in techniques. This tedious, exacting, and painstaking work is not to be accomplished without the expenditure of funds. Insufficient funds to properly carry out such work may be far worse than not doing the work at all, because fragmentary and indefinite figures which may result from insufficient analysis and study may be responsible for the drawing of factually incorrect conclusions. While the sample drawn for cost study may be appropriate, the lack of scientific and professional personnel to see to it that the sample is adequately controlled, tested, analyzed, and checked may result in wholly unjustified inferences and determinations being drawn from the data. Notwithstanding the inadequacy of funds for analytical work, the Department has made every effort to be as scientific as possible in its work of ascertaining costs. I believe, however, that the Postal Establishment has suffered and will now suffer even more because of its continued lack of facilities to establish, maintain, and improve its time and cost studies and analyses.

Expenditures for management personnel, which include departmental officials and employees and the inspection service, amount to but \$0.006 of each dollar of postal expenditures. Included in that amount are the funds made available for all the departmental general administrative examination of accounts and reports of day-to-day operations as well as the amounts made available for departmental study and analysis of cost ascertainment data. These funds amount to \$125,000 for the Bureau of Accounts and \$35,000 for personnel services in the District of Columbia for cost ascertainment; a total of \$160,000, or \$0.00019 of each dollar of postal expenditures. The factual statement that the average yearly salary of the 81 officials and employees engaged in this work is \$1,975 is a sufficient comment on the lack of importance that has been attached to this vital, exacting, scientific, and professional work.

Encouraged by the sympathetic interest displayed by the Congress in our management problems, I have combined all the over-all accounting, reports, and cost work in one bureau, effective July 1, and have laid down a plan of operations. By these means I have hope of improving this work. But it goes almost without saying that these preliminary steps will not alone solve the problem of insufficient manpower to do the job as it should be done.

The desirability of some method of cost accounting has been recognized for many years. In the fiscal year 1907-8 statistics were gathered and used to show comparisons of revenues and expenditures by classes of mail and special services, and the results of that study were published in the Annual Report of the Postmaster General for 1909. This was analyzed and carried forward with certain modifications by the Hughes Commis-

sion in 1911-12, but the conclusions were thrown into disarray almost immediately thereafter with the inauguration of the parcel post system on January 1, 1913.

The matter then remained in suspense until 1921, when the Joint Commission of Congress on Postal Service agreed that the Department undertake the work of obtaining more adequate information with respect to the cost of carrying and handling the several classes of mail matter and performing the special services. A comprehensive plan, embracing special instructions and forms, for gathering the data was then prepared with the collaboration of expert accountants employed by the Joint Commission and postal experts from the departmental and field services, but due to lack of funds the work was delayed.

The basic data were finally gathered during the period from September 21 to October 20, 1923, at 559 designated post offices of all classes and in representative lines and terminals in each division of the Railway Mail Service. The statistics thus obtained were applied to the audited revenues and expenditures of and for the fiscal year 1923, and the results were submitted to the Sixty-eighth Congress on December 2, 1924, as "a fair and reasonably accurate approximation of the relative revenues and expenditures applicable to the several classes of mail and special services."

As a consequence, the Congress passed the act of February 28, 1925, authorizing the continuance of the cost ascertainment, under which authority the statistical results have been reported each fiscal year beginning with 1926.

It is impossible for the Post Office Department and the General Accounting Office to maintain records of each individual item of revenue and expenditure according to every single class of mail and each special service by each particular rate. Therefore, the break-up of the audited revenues from the general sources and the audited expenditures from the various appropriations must depend in the main upon apportionments based upon as representative and as reliable data as possible. This cost ascertainment has sought to accomplish by means of the procedure approved in 1924, on the basis of statistics and tests in a limited number of post offices at selected points during four 7-day statistical periods in the year, on the theory that the sample thus procured would be a cross-section of the postal business for the fiscal year.

The original 1924 cost ascertainment plan has been retained but so far as possible details have been modified from year to year to keep abreast of changes in classification, postal rates, and services. The scope of cost ascertainment has been broadened to embrace the comparison for certain subclasses and divisions of classes and also to show the number of pieces, weight, volume, and average haul of mail by classes, as well as the number of transactions in the special services. The purpose of the cost ascertainment is to credit as accurately as possible to each class of mail and each special service the revenue earned by it, and to charge each class of mail and each special service with its proper share of the expenditures.

No attempt is made to reflect such intangible factors as the relative priority of service, the relative intrinsic and economic values of the mails of the several classes, and the degrees of preferment in handling. For example, first-class mails are afforded safeguards in handling that are not accorded mails of the second and third classes, such as lock pouches in transportation and checking of receipt and dispatch of such pouches. They are also afforded the most expeditious handling in both offices of mailing and delivery and in transportation. Perishable and fragile matter are afforded special treatment

in handling and transportation. Special delivery parcels and newspapers are afforded expeditious handling in transit over and above that accorded regular mails of the fourth and second classes. The cost of these priorities and preferments and the value of them to mailers are not reflected in cost ascertainment figures.

It is obvious that the present cost ascertainment methods and techniques are predicated upon the existence of reasonable uniformity in postal activity throughout the year. But we know that the usual static position in postal affairs is now a thing of the past. The great changes in our national economy, shifts in population, conversion of American business as we have known it to war industry, are producing and will continue to produce during the wartime and after the wartime such a dislocation of postal operations that determinations of costs on the existing bases will lead to factually incorrect conclusions.

The Postal Establishment looks forward to profound changes in the transportation of the mails as a direct result of the war. Even before the war new horizons came in view. The great growth in transportation of the mails by air, the successful experiments with air-mail pick-up service (wherein mail is picked up and discharged by planes traveling at high speeds, an operation recently adapted to military use) and the advancement in the technique of transportation by towed gliders have forecast the shape of things to come. After the war, the Nation will have vast numbers of highly trained and experienced pilots, navigators, and technicians, as well as an enormous supply of large and powerful transport planes. The Postal Establishment must be in a position, on behalf of the public, to take immediate advantage of these opportunities for better and more economical postal service which will be available almost immediately at the war's end. Mail handling equipment and facilities for the distribution and dispatch of mail, the location of terminals, and mail-handling operating methods must be planned so that these resources available to the Nation may be intelligently integrated in the Nation's Postal Service. There will be produced changes as revolutionary in the transportation and handling of the mails as came with the railroads. This is not a visionary prophecy, but it is the considered judgment of many thoughtful men of sound technical training and business experience.

Yet this is all the more reason why our cost and planning studies must be continued, improved, and made more scientific.

The proposal of your honorable committee not only requires adequate, dependable, and comprehensible cost figures, but it demands also a proper forecast of the effect of new rates upon the volume of postal business, as well as an appropriate evaluation of the large considerations of public policy and public welfare.

There has long been an historic policy of encouraging by low postal rates the dissemination of news and information; and the extent to which this policy has proved successful must not be minimized. Most careful consideration should be given to any change in rates which would seriously hamper the circulation of useful information or which would tend to dislocate business and industry. The public has been afforded low postal service rates for the general benefit of the Nation, and the extent to which these rates for the classes of mail and the special postal services and special facilities such as registry, money order, and the like have contributed to the growth and comfort, the culture and influence of the Nation and its democratic processes, must not be overlooked.

If rates for mail and postal services were fixed immediately on a basis commensurate

with the existing estimates of cost, not only would such rates be established on a factually faulty basis, but they would dislocate the service and produce such entirely new conditions that new cost computations would be required to determine whether the new rates, under the new conditions, were approximating fairly the costs and expenditures attributable to the services rendered.

For example, the cost ascertainment report for the fiscal year 1941 indicates there was an excess of apportioned expenditures over revenues on second-class matter of about \$84,000,000, based on revenues of \$24,000,000 and apportioned expenditures of \$108,000,000. It does not necessarily follow that by increasing second-class rates four and a half times that the total expenditure figure will be met, because it would be pure conjecture to assume that the volume of second-class matter that was in the mails in 1941 would find its way into the mails in 1943 at these increased rates. The probable effect would be to drive second-class matter out of the mails. It by no means follows that the elimination of second-class mail would work a saving of \$108,000,000 in expenditures. This item might be eliminated in a statistical table, but the Postal Establishment's financial statement might then very well indicate that the \$108,000,000 had been apportioned to the other classes remaining in the mails, leading to larger amounts in the statistical statement of the excess of apportioned expenditures over revenues, as well as reducing the actual postal revenues by \$24,000,000.

The postal system established by the Constitution and under the laws of Congress must of necessity operate as a going concern. If no second-class matter were in the mails, it would not thereby eliminate a proportionate share of the departmental personnel, the inspection force, the clerks, the carriers, the laborers, the Railway Mail clerks, the rural carriers, rent, light, and fuel because it is not possible to eliminate that portion of the personnel, the equipment, the buildings, the mail cars, and the trucks of the Postal Establishment that are handling the work load of second-class matter. We have no post offices or parts of post offices designed, equipped, and maintained to handle second-class mail exclusively. We have no railway mail cars or motor vehicles exclusively devoted to second-class mail. We have no post-office clerks or carriers, village delivery carriers, star-route carriers, or mail messengers recruited, trained, and employed to handle nothing but second-class matter. The Postal System is not composed of mail and service expense compartments which can be automatically eliminated or flatly reduced by the curtailment of expenditures when losses of mail or services occur in a particular category or classification. This elimination might lighten the burden of the employees, but it is very doubtful that it would work any great saving in manpower. The efficiency and economy of the Postal System depend upon the continual maintenance of a high degree of integration of all services and operations.

It was in the light of all these problems and factors, which I have here attempted to discuss as briefly as possible, that I made the five recommendations which are set forth in the early part of this communication. The fact that the problems confronting the Postal Establishment are of great difficulty and complexity should not act as a deterrent to the proposal of the Committee on Ways and Means.

Irrespective of the ultimate decision of the Congress on the motion proposed by your committee, or on the recommendations I have made, it will be my policy, provided that the Congress authorizes the necessary expenditures, to implement and augment the work of cost ascertainment and cost analysis to the end that there should be continuing

scientific studies of postal rates for mail and services in order that the most dependable data obtainable be available for use by the Post Office Department and by Congress. Furthermore, it will be my policy to bring together in one place in the Postal Establishment all work incident to the proposing and fixing of rates for mail matter and postal services, and to so organize this work that evaluations based upon the data collected continually in cost ascertainment and cost studies will receive adequate consideration and scientific study in the determination or fixing of rates and classification of mail matter and services.

By the action of your committee in proposing a scientific study of rates to be developed publicly, I am encouraged in the work I have started in the Department, and I will continue on that program so that by the joint and cooperative action of the executive and legislative branches of the Government the public may be assured that the Postal Service will continue to be the finest service of its kind in the world.

Respectfully submitted.

FRANK C. WALKER,
Postmaster General.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., July 8, 1942.

HON. FRANK C. WALKER,
Postmaster General, Post Office
Department, Washington, D. C.

DEAR MR. WALKER: In acknowledging receipt of your letter of July 7 with reference to postal rates, which was a reply to our letter of June 25, the Committee on Ways and Means desires to inform you that the letter was presented to the committee by the chairman this morning. Its contents were thoroughly discussed.

The committee recognizes the magnitude and importance of the subject but it also appreciates the fact that the question of bringing rates of postage in the second- and third-class mail matter more closely in line with the cost of handling such mail, has been the subject of consideration and discussion for the past 30 or 35 years. Certainly you realize that it is not a good business practice to permit these deficits to continue without some remedial action. In spite of past discussions, nothing has ever been done.

We find that in 1933, the President of the United States was given the authority to do the very thing that our committee desires to have done, but so far no move has been made in that direction. Now, while we are in the very uncomfortable position of trying to find much needed revenue for the support of our Government in these precarious times, we feel this is one place where a very large saving should be effected.

We are particularly pleased to note that you approve the principle of our proposal, but you do make some recommendations, which are not entirely clear to us, many of which are beyond the jurisdiction of our committee. Furthermore we recognize that jurisdiction on all postal matters, not involving revenue, lies in the Committee on the Post Office and Post Roads. We certainly have no desire to violate this jurisdiction. Therefore, we decided to eliminate the proposed section from the tax bill and assume that you will not permit this matter to lie dormant.

Copies of our original letter to you dated June 25, of your reply of July 7, and of this letter are being sent to the Honorable M. A. ROMJUE, chairman of the Committee on the Post Office and Post Roads, leaving to him such action as his committee deems appropriate.

By direction of the Committee on Ways and Means,

R. L. DOUGHTON, Chairman.

Mr. KNUTSON. I yield 5 minutes to the gentleman from Minnesota [Mr. H. CARL ANDERSEN].

SUBSIDY TO DAIRY FARMERS

Mr. H. CARL ANDERSEN. Mr. Chairman, in our consideration today of another tax bill, it seems to me vitally important that while and if we vote further taxes upon the people of this Nation, that the question of utmost possible economy in the various branches of the Government should receive the deepest study.

There comes to my mind in this connection an example of what I mean when I state that economy in government and taxation go hand in hand. In today's mail I have received a sight draft for dairy feed payment, constituting a producer subsidy of 4 cents per pound on butterfat from my small herd of Holstein cows in Minnesota.

I note in the letter accompanying the check that it is stated by a very good friend of mine, Mr. Frank Brandt, a leader in our A. A. A. work in Lincoln County, as follows: "Enclosed is your dairy subsidy check for the butterfat sold during the month of October."

I hold up here to your view the check in this particular instance and you will note that this requires the use of $8\frac{1}{2}'' \times 8\frac{1}{2}''$ paper, whereas it would seem that an ordinary check blank would do the purpose and save two-thirds of the amount of paper used.

I also present for your inspection two forms which this good friend of mine, acting in his capacity as head of the A. C. Q. in my home county, has sent to me for signature. I assume from this that similar blanks will go to every farmer making application for this producer's subsidy and these forms, as you will note, measure $8\frac{1}{2}'' \times 15\frac{1}{4}''$.

Mr. Chairman, in the first place our Government, in its profound wisdom, has clamped a virtual ceiling on butterfat through its roll-back subsidy to consumers, placed into effect last June. To dispute the statements of those who claimed that particular roll-back aided the farmer I have here my price statements for butterfat from my local creamery at Tyler which show that whereas in February I received 55 cents per pound for butterfat, that that was the highest price received during the past 7 months and that for October, 54 cents per pound was paid. I believe any sensible person will agree that this roll-back as applied to butter and put into effect last June has resulted in a virtual ceiling on this product of the farm—yes, to such an extent that production decrease became so alarming that our same Government has decided that the dairymen now need a subsidy in order that they can stay in business.

Just yesterday it was called to my attention that the production of butter in the State of Minnesota for the next 12 months in all probability will be 25 percent under the production in the same State for the past 12 months. So here I have this morning this new wrinkle, a 4-cent-per-pound subsidy for the production of the past month of butterfat

from the herd of cows back in that great State.

First, let us take into account the fact that 2,000,000 farmers in the United States will probably receive similar checks and forms and will probably have to sign these two same forms that I am asked to sign in connection with receiving this particular subsidy. Imagine, if you can, 2,000,000 of these sets of documents which I hold in my hand and put out 12 months of the year, 24,000,000 sets in a year's time.

It would be interesting if some person would compute the tonnage of paper required to put out these particular forms. It would also be highly interesting if some such (mathematically inclined) person would compute the amount of clerical work necessary to give to myself and 2,000,000 other farmers 4 cents per pound or an equivalent subsidy on butterfat or dairy products. It would be very interesting to receive from the Post Office Department an estimate of the cost to that Department to transport these documents through the mails, postage free as they are.

How much simpler, Mr. Chairman, it would have been, and how much easier on the Treasury of the United States it would have been, if our Government, in its great wisdom, had permitted butterfat and dairy products to go to the point where the cost of production decreases that they should go and that point, in my opinion, should be approximately 10 cents per pound higher for butterfat than it is at present.

In that manner, Mr. Chairman, it would allow the farmer to receive full payment in the open market from the actual consumer of his product and it would not be necessary for the Treasury of the United States to eventually pay \$3 at the very least in interest and principle for every dollar I receive as a dairy farmer in this line of producer's subsidy.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. I yield to the gentleman from Arkansas [Mr. MILLS] such time as he may require.

Mr. MILLS. Mr. Chairman, in approaching the subject of the individual income tax, especially in the light of its present burden, two factors stood out in the minds of your committee members as having been imperfectly understood in most tax discussions. One factor was the weight of the unforgiven tax payable in 1944 and 1945, and the other, the weight of direct taxation on those with fixed or decreasing incomes.

In connection with the unforgiven burden, there can be no purpose in reviving the recent bitter controversy. Certain conclusions from that controversy are, however, undeniable. Whether or not taxpayers should set aside reserves for taxes, we recognized that they did not. Our choice was not simply whether or not taxpayers would pay as they went or pay a year behind, but we were forced to institute pay as you go or face large-scale default in the year of declining income. We felt that, while current payment was desirable, individuals should make some payment on top of their 1944

and 1945 tax to offset, at least partially, this forgiveness. Recognizing that, in virtually all cases, this payment would have to be out of current income, we set it as high as we thought could be borne in addition to current taxes. Thus the Congress adopted as much forgiveness as 75 percent in some instances, because it felt that many taxpayers did not have the capacity for paying more carry-over or doubling up, and that larger doubling up would involve defaults.

The second problem comes in connection with fixed incomes. There are many individuals who are actually making a substantial contribution to the war but whose income is fixed for any of a variety of reasons. In the face of rising prices these people are put at a serious disadvantage. There are many expenditures that they must make no matter what the level of prices or of incomes; these are expenses associated with the place in which they live; expenses associated with the living standards to which they have become accustomed; expenses associated with fixed obligations which they have contracted, such as mortgages or insurance policies.

We gave some attention to the problem of distinguishing between those with fixed and those with rising incomes. There seemed to be too great complications in attempting to place a tax directly on the increases in individual incomes. There would be difficulties in fixing a base period income; there would be numerous hardships where the base period was unusually low; hardships where the increase was associated with a move to a high-cost-of-living community. Above all there might be serious consequences where the tax on increases would interfere with incentive.

Many of the same difficulties arose in connection with a deduction for fixed incomes against a general increase in taxes. It would run into conflict with withholding and would add an insuperable problem of verifying returns.

I should like to talk to you a little while about the individual income tax proposals contained in the committee bill. As you know, one of the main features is the elimination of the Victory tax and its integration with the regular income tax by providing for a so-called minimum tax. To explain this integration properly, perhaps it would be well to trace briefly the history of the Victory tax and our present withholding system.

The Victory tax, when it was originally adopted in the Revenue Act of 1942, had two definite advantages: In the first place it afforded an opportunity to introduce into the income tax system at least a small measure of current tax payment for all taxpayers. At the time the withholding of the Victory tax was provided for it was hoped that as a result of experience under this tax, withholding could be extended to the regular income tax at some subsequent date. Another reason for adoption of the Victory tax was to reach the incomes of a large number of citizens who were below the income tax exemptions, but who nevertheless had some ability to pay income taxes, since in the case of a married person

with four dependents, the income could reach nearly \$3,000 before it was subject to regular Federal income tax. The Victory tax was levied on gross income before any deductions, except business expenses, and applied after the allowance of an exemption of \$624, regardless of family status. Family status was given recognition not for the 5 percent gross Victory tax, but only for the net Victory tax after post-war credit.

The first withholding system was thereby made extremely simple for employers, as everyone was given the same exemption for withholding and the base of the tax was the wage received by the employee. At the same time, few adjustments were required at the end of the year for over-withholding or under-withholding.

Withholding of the Victory tax worked so well that we were encouraged, last spring, to attempt to provide for the withholding of the full liability of the first surtax bracket for all taxpayers. A method for doing this was established in the Current Tax Payment Act of 1943, which also provided for an abatement of a portion of 1942 or 1943 taxes in order to make taxpayers fully current through withholding and quarterly payments.

When the refinements of the income tax were thus introduced into the withholding system, the Victory tax, simple enough in itself, became an extra cog in the tax machinery. It required a different tax base from that used for the normal tax and surtax, and its special treatment of family status in connection with the post-war credit made it impossible to include the Victory tax in the tax table shown on the short-form income-tax return. Recently, a separate bill was originated in the Ways and Means Committee to eliminate those complications caused by the Victory tax post-war credit, which would in virtually all cases be taken currently. However, there still remained complications even under this improved Victory tax, and there was dissatisfaction with the use of a flat exemption for all persons, regardless of family status, since some very poor families would have to pay the tax, no matter how many children had to be supported.

Now that we have, under the Current Tax Payment Act, a withholding system which collects currently the full basic tax from all wage and salary earners, and the method of quarterly payments for others, it is unnecessary to retain the complicated Victory tax, and it seemed highly desirable to devise a simpler method of reaching those taxpayers below the income-tax exemptions. In effect, the minimum tax replaces the Victory tax in the lowest income brackets, and provision has been made for family status by modifying the previously used \$624 exemption for all, to: \$700 for married persons, \$500 for single persons, and a credit for dependents equal to \$100 each. The committee bill provides that the total income tax shall not be less than 3 percent of the net income in excess of these exemptions and credits. Under the improved Victory tax, the rates applied to the gross income in ex-

cess of \$624 were: 3 percent in the case of a married person, and 3.75 percent in the case of a single person, reduced by 0.1 percent for each dependent.

For those who under present law were subject to the regular income tax as well as the Victory tax, an increase of four points in the normal tax rate, bringing that rate to a total of 10 percent, is substituted for the Victory tax. In addition the allowance of earned income credit is repealed, in order to avoid having to raise the normal tax rate still further to prevent a net loss in revenue; moreover, it was recognized that business taxes result in placing a double burden upon unearned income, constituting sufficient discrimination in favor of earned income.

Very slight adjustments were made in surtax rates in order to bring the total tax at various income levels as close as possible to the burden under present law. Reductions of one point each were made in the surtax brackets from \$6,000 to \$12,000, while increases of one, two, or three points were made in each bracket above \$38,000. The increases above \$38,000 were required because of the limitation on the post-war credit under the Victory tax, as a result of which some taxpayers were made to pay a net Victory tax nearly as high as 5 percent, a rate the repeal of which would not have been completely offset by an increase of 4 points in the normal tax rate.

Having done away, in the committee bill, with the Victory tax and its flat exemption, it was unnecessary to retain for withholding purposes the exemptions of \$1,248 for married persons, \$624 for single persons, and \$312 credit for dependents, which are all divisible by 12, 24, 26, and 52, so that they may easily be adapted to various pay-roll periods. These so-called magic numbers were used to offset at least in part, any difficulties encountered by employers in instituting the withholding system. The exemptions have therefore been slightly revised in the committee bill to conform more closely to the exemptions actually allowed for income tax and minimum tax when filing the return. The annual exemptions used for withholding are still divisible by 12, and if the weekly exemptions are multiplied by 52, the results come very close to the correct annual figures. Exemptions for withholding are higher than those for the tax return in order to allow for deductions. Two sets of exemptions and credits for dependents are established—one for minimum tax and one for income tax, but the two taxes are integrated in the withholding table in such a manner that they are indistinguishable. Employers who wish to use the optional method of computing the tax for withholding purposes may be informed by the Treasury Department of the points where the income tax first starts to apply, so that they will not need to compute both taxes.

As there is virtually no change in income-tax burden under the committee bill, it was not necessary to depart from the present law withholding rates of 20 percent for the regular income tax, and

3 percent for those subject only to Victory tax. Under the committee bill, the 20-percent rate will be applied where the individual is subject to the income tax, while the 3-percent rate will be applied in the case of those individuals subject only to the minimum tax. The withholding table brackets have been made considerably narrower than they were in the Current Tax Payment Act of 1943, thereby reducing in large measure the amount of under-withholding or over-withholding arising out of the fact that wages for a given employee may not fall precisely at the midpoint of the bracket where the tax figure contained in the table was actually computed.

Several improvements have been made in the short-form income-tax return, the optional return to be used by persons having gross incomes of \$3,000 and less, composed of wages, salaries, compensation for personal services, dividends, interest, or annuities. In the first place, the separate computations of Victory tax and credit taken currently have been eliminated. Second, provision has been made for the number of dependents in the income-tax table, thereby eliminating the deduction of the credit for dependents on the face of the return; third, the number of alternative headings for family status has been reduced in the short-form table from three to two. In computing the figures shown in the tax table contained in the bill, deductions of 6 percent have been allowed just as under present law.

For those using the long form of return, also, the separate computation of Victory tax and credit taken currently have been eliminated. The income tax base subject to normal tax and surtax has been made the same for practically all persons—all those not receiving partially tax-exempt interest. The computation of earned income credit has been eliminated. We believe these to be important steps toward simplification of the individual income tax.

By setting July 1 of the taxable year as the determination date for the family status of the taxpayer for the entire year the committee bill achieves a further simplification; under present law this date has been used only for purposes of the short-form return, making it necessary for users of the long form, whose status has changed during the year, to prorate exemptions and credits over the year. Hereafter July 1 will be used to determine the family status of all taxpayers for the entire taxable year, even for purposes of the declaration of estimated tax, and there will be no necessity for proration.

In order to achieve the simplification of the short-form return, it was necessary to require married persons filing separate returns, each to take a single person's exemption. The effect of this provision is to reduce the total married exemption for the regular income tax from \$1,200 to \$1,000, if the option of separate returns is chosen; on the other hand, the minimum tax exemption for a joint return would be \$700, and for separate returns \$1,000, an increase of \$300 in the total exemption under the

separate returns option. The effect of this provision will be, in general, to reduce, but not eliminate, the advantage gained by persons in the higher brackets through filing separate returns as distinguished from joint returns. In the lower income tax groups this provision will not always operate to the disadvantage of the taxpayer when filing separate returns, because, as was pointed out above, the total exemption for the minimum tax would be greater with separate returns than with a joint return.

Two further modifications were made with respect to individual income taxes. Heretofore certain excise taxes, those levied directly on the consumer, have been allowed as deductions in computing net income. Some of the more important ones were the admissions tax, the tax on communications, and the tax on transportation. As, under existing law, the factor determining whether a Federal excise tax is deductible is the manner in which it is levied, rather than the justification of the deduction, it results in some discrimination against those persons whose Federal excise taxes paid are heavily weighted by nondeductible taxes, such as those on tobacco, liquor, sporting goods, and so forth. In addition, under existing law the same dollar amount of deductible Federal excise taxes paid results in a tax saving which varies proportionately with the surtax bracket in which the taxpayer's highest segment of income falls; for example, \$10 of deductible Federal excise taxes would result in a tax saving of 19 percent, or \$1.90, to an individual in the first surtax bracket, but would amount to 85 percent, or \$8.50, to an individual in the bracket from \$100,000 to \$150,000 of surtax net income.

These considerations, plus the fact that there was \$140,000,000 of revenue to be gained, influenced the committee in deciding to include the provision which, in the future, will disallow the deduction of Federal excise taxes paid, except those which are business expenses.

It was brought to the attention of your committee that blind persons are, in most instances, required to make certain additional living expenditures as a result of their infirmity. For example, many of them must employ guides or readers or attendants. It was, therefore, agreed that a provision should be inserted in the committee bill to allow a special deduction of \$500 to every blind taxpayer for purposes of computing his taxable net income. In many cases, this allowance would relieve blind persons of any tax whatsoever, and in other cases it would materially reduce the tax. The committee adopted for the definition of a blind person the language used by the Social Security Board for the purpose of carrying out title X of the Social Security Act, as amended, relating to grants to States for aid to the blind. The committee established July 1 of the taxable year as the date for determining the status of the taxpayer for the entire year for purposes of this special deduction.

Under the circumstances which faced the committee, some of which have been outlined, the committee proposals in regard to individual incomes should be accepted by the House although all the proposals may not meet with the approval of any Member.

Mr. DOUGHTON. I yield to the gentleman from Georgia [Mr. CAMP] 10 minutes.

Mr. CAMP. Mr. Chairman, I feel sure that the bill the Committee on Ways and Means has brought here represents as much careful thought and hard work as any revenue bill this House has considered in many years. Beginning its deliberations September 4 the committee has spent 11 weeks of tireless work, with daily and many night sessions, exploring all fields of revenue. While the bill does not provide for any great increase of national revenue, it does, in my opinion, provide all the increases necessary at this time, and all that our people can, under present circumstances, pay.

When the great expenditures for national defense began it was thought by many authorities that if our people could pay as much as one-third of the cost of this war as we went along, we would reach a goal that would be ideal from every economic standpoint, but the American people are doing that and more. We are today paying nearly one-half of the Government's war expenditures as we go, and the American taxpayer is bearing the heaviest tax load of any in the world.

It was suggested that taxes be increased at least ten and one-half billion dollars for the next fiscal year, and this suggestion was said to be based on two propositions: First, the great need of the Government for the additional money, and, second, the inflationary problem.

Let us consider the first proposition a moment. It was estimated on August 1 by the executive branch that 1944 Federal expenditures, excluding debt retirement and trust-fund disbursements, would total \$104,000,000,000, \$97,000,000,000 of same being war expenditures.

Since that time the War and Navy Departments estimate that they will return unused to the Treasury from \$13,000,000,000 to \$15,000,000,000 of this, leaving Government expenditures at about \$90,000,000,000, of which \$82,000,000,000 is for war purposes. This is, of course, the largest war expense of all times. A comparison with the war expenditures of other countries gives a better idea of it. It is estimated that the war expenditures of Great Britain in 1944 will be \$23,000,000,000, and that of Canada \$5,500,000,000. However, the American taxpayers will pay next year more than the total war expenditures of both Britain and Canada; in fact, the most conservative estimate is that they will pay over \$40,000,000,000 in taxes, or one-half of our total war cost for the year.

Now as to the second proposition, the inflationary problem. A serious study of the many proposals brought here under the guise and in the name of preventing inflation will show that many of our economists are "straining at a gnat and

swallowing a camel". I would not minimize the danger of inflation. Of course we must do everything we can to close the inflationary gap, but the answer certainly does not lie in placing on our people an additional tax load of \$10,500,000,000, a load that will be burdensome and cause suffering, when all the time that sum is only a fraction of the grand total of over \$100,000,000,000 of accumulated savings in the hands of individuals in the form of War Savings bonds, cash surrender value of life insurance policies, savings deposits, demand deposits, and idle currency. This represents \$60,000,000,000 excess buying power. If we can maintain in this country the psychology that will render our people free of the fear of inflation there will be no harmful inflation, and I believe this psychology can be best maintained by strict economy in governmental expenditures, by effective price control and rationing, and by control of wages—and not by burdensome taxes beyond the ability of many of our people to pay, and not by subsidies which must be paid by taxpayers.

This bill, Mr. Chairman, I believe, raises as much revenue as can reasonably be borne by our people at this time without unduly disturbing our economy.

As far as individual income tax is concerned we are approaching, if indeed we have not already approached, the point of diminished returns. Few of our people know or realize that in America today, under existing tax laws for the years 1944 and 1945, no person, no matter how large his or her income, will have left during these years, after the payment of Federal taxes as much as \$24,000 net income per year. A man with \$100,000 of net income will have to pay \$76,591 Federal taxes, leaving him \$23,408.14, and this tax increases from that figure of net income, until when we reach the man with a net income of \$700,000 we find that his taxes consume all of his income. This burden of taxation on individuals has been increasing so rapidly that our people have hardly been able to adjust their budgets to it, and I think that it is wise for Congress to let them remain level for a while.

Corporate taxes are in a similar condition. It is recognized that the taxes which are now being imposed directly upon corporations, and indirectly upon the dividend income flowing to shareholders, are as high or higher than those imposed by the other Allied Nations.

It is of vital importance that our corporations be kept in sound financial condition, so that they may be able to convert to peacetime production and provide employment for men leaving the armed forces after the war.

The withholding tax coming out of the weekly and monthly wages of every wage earner and salaried person in America has brought home to them the mounting cost of Government expenditures. Every American now watches Government spending as never before. These people will rise and demand economy and they know that every saving in Government expenditures will lighten their tax burden.

"A penny saved is a penny earned." There is no need to raise more taxes if public economies are practiced.

Mr. DOUGHTON. I yield 10 minutes to the gentleman from Indiana [Mr. LUDLOW].

Mr. LUDLOW. I shall address my remarks solely to the postal provisions which are found on pages 88-91 of the print now before the Committee.

I am absolutely opposed to the increase in postage rates which are provided for in the tax bill. I think the provisions relating to postage should be stricken in toto from the bill. If it were not for the fact that the closed rule under which this bill comes before the House prevents the offering of amendments I would propose an amendment eliminating these provisions entirely. I hope that in the other legislative body, which operates slightly more democratically and where freedom of amendments is permitted, an amendment will be adopted striking all of these postal items. If that is done I will support the amendment when the bill returns to the House.

With all of the respect I have for the great Ways and Means Committee and the able and eminent chairman and members who compose it, I think it goes entirely outside of the field of legitimate and proper taxation and establishes a bad precedent when it undertakes to regulate postage rates. The Post Office Department is a great service institution and we should be careful to see that in its operations it is not hampered and hamstrung by laws that impair its service character. Postage rates should be levied on a basis of justice to patrons of the post office and should not be tied in with the fluctuating requirements of the Government in respect to revenue. That is the only sound procedure. If we look at a postage rate solely with an eye on the revenue we think it will squeeze out of taxpayers, the possibilities of crippling and destroying business and inflicting hardships on postal patrons are great indeed. I have no hesitancy in saying that the postage increases carried in this bill will either drive many businesses to the wall or cripple them considerably, besides inflicting undue hardships on individual users of the postal system.

I wish to submit as a primary proposition that the Postal Service is not a proper channel for taxation. I know that it has been so misused in some instances in the past, but that is no reason why we should continue and confirm a bad practice. It is understandable that the Ways and Means Committee in its proper and diligent search for every tax dollar should explore all prospects, but there are some fields it should not enter. This is one of them. Postage rates should be dealt with separately from taxation on the basis of the needs of the Postal Service and what is best for the patrons of that Service, and I think there is much argument to support the position that the subject should be handled legislatively by the regular legislative committee that is constituted to handle such questions, the House Committee on the Post Office and Post Roads, of which

the able gentleman from Virginia [Mr. BURCH] is chairman.

The inadvisability of undertaking to make a revision of postage rates on a tax bill at this time becomes apparent when we are reminded that the Post Office Department now has that very matter under thorough consideration and investigation but has not had time to come to any conclusion thereon. The Appropriations Subcommittee of which I happen to be chairman, dealing with the Post Office Department appropriations, took cognizance of this situation and in the post office appropriation bill for the current fiscal year there was set up a cost ascertainment unit which will enable the Postmaster General to find out what it costs to handle each class of mail and to determine accurately and scientifically the profit on some classes of mail and the losses on other classes, the amount of increase of postage certain classes can be expected to stand without injustice to patrons and without incurring the risk of diminishing volume which might defeat the purpose of any increase. All of this information, accurately and scientifically ascertained and determined, is essential as a basis for any postage increase that will be anything more than a haphazard guess in the dark inspired by a desire to reach out and grasp something to tax. The cost ascertainment I speak of is something the Postmaster General has long yearned for. He has repeatedly lamented that although he is at the head of the largest business establishment in the world he has no idea what the actual cost is of handling the various classes of mail which either produce net income or drag down the net revenues of that establishment. Pursuant to the authorization which we gave him in our bill he has created his cost ascertainment unit and has called to his service in directing the investigation two of the most eminent cost experts in the country, Charles A. Heiss, comptroller, and Allan B. Crunden, assistant comptroller, of the American Telegraph & Telephone Co. Mr. Heiss and Mr. Crunden came to Washington early in this fiscal year and organized a staff of high efficiency which is now in the midst of investigating and developing the facts on which it will be possible to make a sound revision of the postal rates.

I submit that it would be a common sense viewpoint of this matter and a wiser procedure to allow that cost ascertainment unit to function and to develop its findings before we undertake to fix postage rates blindly on a tax bill without having any dependable idea of the effect of what we are doing. I hope that the able chairman and members of the Ways and Means Committee will consider the facts I have presented about the unit that is already functioning in the Post Office Department in respect to a revision of postal rates and that before this tax bill gets through Congress the provisions increasing postage rates will be stricken out, so that later when we have before us all of the factors of profit and

loss, and the probable effects of changing rates on volume, we may be able to revise the postage rates in a more logical and satisfactory way.

Mr. COLE of Missouri. Will the gentleman yield?

Mr. LUDLOW. I yield.

Mr. COLE of Missouri. I would like to compliment the gentleman on his speech. I am a member of the Post Office and Post Roads Committee. I, too, am opposed to any increase in postal rates.

Mr. LUDLOW. I thank the gentleman for his contribution.

Mr. BREHM. Will the gentleman yield?

Mr. LUDLOW. If I have time, I yield.

Mr. BREHM. I would like to compliment the gentleman upon his remarks, and I regret that the rule under which the bill was brought before us prevents him from offering an amendment as he suggested. I would consider it a pleasure to vote for such an amendment.

Mr. LUDLOW. I thank the gentleman.

Mr. COLE of Missouri. Will the gentleman yield?

Mr. LUDLOW. Yes.

Mr. COLE of Missouri. I desire to observe that the Post Office Department is at the present time in the black for the first time in many years, in spite of all this penalty mail and Government pamphlets that they have to carry to the various parts of the United States and its possessions.

Mr. LUDLOW. The gentleman is absolutely correct. The Post Office Department made \$1,300,000 in the fiscal year 1943, over and above all expenses put together. It is in the black to the extent of \$1,300,000.

Mr. COLE of Missouri. For the first time in many years.

Mr. LUDLOW. Yes.

Mr. COLE of Missouri. I, too, would like to be able to vote to strike title 4 from this bill.

Mr. LUDLOW. I thank the gentleman.

The CHAIRMAN. The time of the gentleman has expired.

Mr. DOUGHTON. I yield such time as he may require to the gentleman from Oklahoma [Mr. STEWART].

Mr. STEWART. Mr. Chairman, I wish to voice my opposition to an increase in taxes on theater tickets and first-class postage. In my opinion this phase of the proposed bill will bring less, not more, money into the tax tills. Why do I say that? I have been bombarded with letters from my district from the theater people saying higher admission price will decrease attendance at theaters to the point where it will not mean any more Federal revenue than is now derived from this source. I think we should lend an ear to their views in this matter. Theater men have certainly done their part in the war effort from the standpoint of morale, public education, and War bond drives. And school children are another angle to consider. They make up a larger part of the theater patronage and their limited funds

could not stand an increase in admission. I trust your Committee will agree to an amendment to place the tax on show tickets back to its present rate and give the show-going folk and the show people a chance to continue with their good work.

Now, about an increase in postage. I do not believe this should be saddled on the backs of the businessmen and patrons. I sensed when the Ruml plan was before us earlier in the session that such a tax bill as H. R. 3687 would be in the offing and so here it is. I consider this bill a mere plug to raise a portion of your liberal forgiveness of \$10,000,000,000 to those who have made their big profits primarily out of war contracts—to shift the burden from the super-rich to the average and underprivileged taxpayer. I did not vote for the Ruml tax plan and I cannot vote for this bill.

Time does not permit me to discuss the many objections I have to this measure, but upon the subject of the increase in picture-show tickets and postage rates I have tried to make myself clear.

Mr. KNUTSON. I yield to the gentleman from Pennsylvania [Mr. GAVIN].

Mr. GAVIN. I ask unanimous consent to revise and extend my remarks in the Record and to include one wire and three letters.

The CHAIRMAN. The gentleman has permission to revise and extend his own remarks, but to include extraneous matter he must get permission from the House.

Mr. GAVIN. Mr. Chairman, I want to take this opportunity to state to Members of the House that postal rates should not be used for purposes of taxation. We all recognize the very difficult problem and the grave responsibilities confronting Members of Congress in producing a tax program that will provide the tremendous revenues necessary to meet needs of the Government. We in the Congress are charged with the responsibility of determining how these revenues are to be raised and where the taxes are to be applied.

In reaching such decisions I believe that Congress must and will take into consideration the maintenance and welfare of the various parts of our economic life that will be vitally affected by these taxes. Legislation, unless carefully considered, can destroy overnight businesses that in many instances have taken a lifetime to build.

We all realize that additional revenues must be secured; however, there can be no justification for the Committee to vote its approval of postal-rate increases without careful consideration, and give those vitally affected an opportunity to present their views to protect their interests and investments they have made.

I would like to know if the postal authorities have been consulted or if a careful study of existing rates or of the experiences of the past served as a basis for rates now proposed. I am of the opinion we should proceed more cautiously.

NEW PROCESS CO.,

Warren, Pa., November 4, 1943.

HON. LEON H. GAVIN,
Member of Congress,
House Office Building,
Washington, D. C.

DEAR CONGRESSMAN GAVIN: No doubt you are aware that in a direct mail-order business, of which there are a great many in the United States, the item of postage used in circularization looms as about the largest item of expense. The volume of business obtained depends on the number of individual circulars sent out, and the number of circulars that can be mailed with profitable results depends on the responsiveness of various lists of names. Obviously, when the cost of third-class postage goes up the number of names that can profitably be circularized goes down, and if the rates are doubled for this class of postage, as now proposed, the amount of circularization of this kind will necessarily become but a fraction of what it is now, since it will be possible to circularize without loss only the most responsive lists. This will result in tremendous loss of business for us and other direct mail-order concerns. Facilities built up to handle a large volume of business with efficiency will be largely idle, though carrying charges will continue, and employment of white-collar people who are for the most part not eligible for employment in war industries will decline precipitately here in Warren, for example, where the part these employees play in the prosperity of the local economy need not be pointed out to you.

And what will the Government gain from the proposed doubling of third-class rates—specifically, bulk rates, under section 562, Postal Laws and Regulations (with which we are primarily concerned)? The answer, to the best of our belief, is "little or nothing," since it is quite obvious that reduction in the volume of circularizing forced on us and others by the unconscionable boost in rates would drastically curtail postal revenues from this source. The only results would be harm to concerns like us, our employees, printers, other suppliers of all kinds, our local merchants, who depend upon our hundreds of employees for patronage, together with no advantage to the Government.

We have recited the facts above in the hope and belief that they will aid you in doing all in your power to combat the proposed increase, or rather doubling of third-class postal rates, including (most important from our standpoint) bulk rates under section 562, Postal Laws and Regulations. * * *

Respectfully,

NEW PROCESS CO.,

JOHN L. BLAIR,

President.

HAROLD C. PUTNAM,

Treasurer.

LANCASTER, PA., November 22, 1943.

HON. LEON H. GAVIN,
Member of Congress, House of Representatives,
Washington, D. C.:

New tax bill (H. R. 3687) with its proposed doubling of third-class rates, would put us completely out of business. Last year our third-class postage cost us \$46,256.71, doubling this amount under new proposed bill would be confiscatory taxation for our business. Your support of motion to recommit tax bill with a view to having postal section transferred to the House Post Office and Post Roads Committee urgently requested.

WILLIAM A. FREW,

President, Lancaster County Seed Co.

THE INTERNATIONAL ASSOCIATION
OF PRINTING HOUSE CRAFTSMEN, INC.,
November 20, 1943.

Hon. LEON H. GAVIN,
House Office Building, Washington, D. C.
DEAR SIR:

1. Higher third-class rates will penalize small and medium-sized businesses, which are the largest users of third-class mail. The increased rates will seriously impair, or even destroy, one of the most economic methods of getting business, especially now when there is a shortage of manpower, gasoline, and tires.

2. With larger businesses, the added operating expenses which will be incurred through increased postal rates will come out of excess-profits taxes, in effect taking money from one Government pocket and putting it into another.

3. Businesses operating under price ceilings have no way of recovering the additional expense forced upon them.

4. The Postal Service is an essential service and a public utility, and should not be classed as a luxury along with cosmetics, liquor, and cigars. Also, the Postal Service is not a proper channel for taxation.

5. Higher rates will reduce postal revenues instead of increasing them. Experience has shown that whenever postal rates are increased, volume falls to such an extent that revenues are less under the higher rates than they were under the lower. I cite the following proof:

a. In 1917 the penny postcard rate was increased to 2 cents. Prior to the increase the Post Office Department had been receiving an average annual revenue of \$20,000,000 from this source. After the increase became effective the revenue dropped to \$10,000,000 a year, not only failing to produce the expected revenue increase, but even resulting in revenues being cut in half.

b. When in 1932 the Department increased the first-class letter rate from 2 to 3 cents, volume dropped from 4,000,000,000 to 2,000,000,000 pieces annually, the revenue decreased. It required 10 years to restore local first-class volume to its 1932 figure.

Very sincerely,

DOUGLAS C. MCMURTRIE.

ORAL HYGIENE PUBLICATIONS,
Pittsburgh, Pa., November 9, 1943.

Hon. LEON H. GAVIN,
House Office Building,
Washington, D. C.

MY DEAR SIR: Through the newspapers, we have learned that the House Ways and Means Committee's proposal to increase postal rates includes the doubling of third class rates. As publishers of so-called controlled-circulation magazines for the dental profession and the dental trade, we are large users of this postage classification. We pay the already high rate of 8 cents per pound.

For the first 9 months of this year our third class postage bill for the mailing of our magazines alone—not including our other expenditures for postage—totals \$19,225. At this rate, our expenditure for the year will be in excess of \$25,500.

If the rate is doubled, it can result in confiscation of our 33-year-old business, since the additional \$25,000 represents nearly 10 percent of our gross volume—a much higher percentage than any net profit we can earn.

Obviously, many other magazine publishers are faced with a similar disaster if the third class rate is increased substantially, let alone being doubled. Moreover, the readers of magazines so affected, and the manufacturers who use them as advertising media, would be deprived of publications upon which they depend.

In my opinion, the proposed increase of third class rates would fail to produce any

increase in the Government's revenue. If publisher's current profits are turned into losses, and if some publishers are driven out of business, the present high taxes we are paying would no longer be forthcoming.

Yours sincerely,

M. B. MASSOL, President.

Mr. KNUTSON. I yield to the gentleman from New Jersey [Mr. TOWE].

Mr. TOWE. Mr. Chairman, I am opposed to this bill because of the provision in it which arbitrarily increases the third-class mail rates.

Many publications which are of great educational value use this class of mail for distribution. These publications are not chiefly advertising mediums. They render a distinct service and it is quite possible that their distribution will be seriously reduced in the future. If this provision remains in the bill and finally becomes law, a group of publishers in this country will be singled out to pay a disproportionate share of the tax sought to be raised under this bill.

Mr. KNUTSON. I yield to the gentleman from Missouri [Mr. ARNOLD].

Mr. ARNOLD. Mr. Chairman, the proposed increase in taxes on telephones will necessitate the discontinuance of telephone service in numerous farm and rural homes.

Mr. Chairman, the telephone is a necessity; it is not a luxury. The telephone industry has been classified by the War Manpower Commission as one of the 35 most essential to the prosecution of the war.

Local telephone service is essential to the domestic and business life of every community. It is vital to the national welfare.

The independent telephone companies of the country operate in about 12,000 of the 18,000 communities that enjoy telephone service.

This independent-company service includes more than 4,000,000 telephones, or about one-fifth of the total telephones in the United States.

More than 80 percent of these 4,000,000 telephones are in residences.

One million telephones are in rural homes, serving farmers.

Dwindling gasoline and tire supplies make the telephone all the more essential to farmers.

Without the telephone the farmer would not only be handicapped in farm operations, necessitating frequent contacts with neighbors and business people in town, the health and safety of his family would be jeopardized for want of ready communication with the family physician.

The proposed increases in taxes on telephones is confiscatory. It will necessitate the discontinuance of telephone service in numerous farm and rural-town homes.

The tax is discriminatory. It is more in the nature of a selective sales tax than an excise.

The tax is an increased and unnecessary burden upon already overburdened local, independent telephone businesses. While the tax is paid by the subscriber, the telephone company is responsible for its collection. The job of serving as tax

collector, computing, collecting, recording, and remitting grows more onerous all the time.

Telephone companies are experiencing an acute shortage of manpower. It was testified before the House committee that the turn-over of female help is almost 400 percent in some offices, and that if 12 girls were hired on Friday, only 5 would show up on Monday.

While the expense of collecting the tax is not available for the more than 6,400 independent telephone companies in the country, if figures were available they would show a sizable amount which these companies have to spend to do the collecting and remitting of taxes. Such costs, of course, become a part of the operating expenses which are ultimately paid by the telephone users, and thus constitute a further tax increase.

There are something over 6,400 independent telephone companies in the United States. These have been classified into four groups, as follows:

A. Those having an annual operating revenue in excess of \$100,000.

B. Those ranging from \$50,000 to \$100,000.

C. Those ranging from \$25,000 to \$50,000.

D. Those having less than \$25,000 annual operating revenue.

In groups A and B together there are something over 200 companies. Groups C and D, therefore, represent about 6,200 companies, and these are typical of small business enterprise about which there has been so much said and so little done.

These 6,200 companies have a total of 2,383,614 telephones, or an average of 384 telephones per company. In other words, the typical independent small rural telephone company has an annual operating revenue of less than \$50,000, and an average subscriber list of 384 telephones.

Mr. Chairman, it would seem that in all fairness, and in proportion to ability to meet the costs of the tax burden and continue in business, the small independent rural telephone company with a subscriber list of less than 850 telephones should be exempted from further tax increases above those at present in force.

The failure of small business concerns is a calamity which our country cannot afford to let come to pass. To give small independent telephone companies a push toward failure by congressional act is unthinkable. And yet that is what we will be doing if we approve these tax increases.

In this matter, the Congress has a great opportunity to protect small business enterprise, as it impliedly committed itself to do in the appointment of both Senate and House committees on small business. These committees have evidently been very active. I am informed that their annual expenditures for all their operations, including travel, investigation, clerical help, etc., have been, for Senate and House committees, respectively, \$57,445.22 and \$47,500, or a total of approximately \$105,000 for a year of investigation of small business problems and conditions. Here we have an opportunity to make to the taxpayers

some return for all this money of theirs which has been so spent.

Mr. Chairman, the results of the proposed increases in taxes on telephones is well set forth in a letter and a telegram which I recently received from the presidents of two of these small companies located in the First Congressional District of Missouri, which I include herein as follows:

FARMERS TELEPHONE CO.,
Milan, Mo., November 11, 1943.

Hon. WAT ARNOLD,
House of Representatives,
Washington, D. C.

DEAR SIR: We are a small corporation protesting against higher taxes on the telephone industry.

Congress has picked communications out of the rest of the utility family for a tax burden in the revenue law enacted in 1941. This resulted in a 6-percent monthly tax on local exchange service, which was increased to 10 percent last year.

We accepted this tax cheerfully and have cheerfully acted as a tax-collecting agency for the Government. Now comes a proposed raise in this tax.

As you probably know—coming from this part of the country—that a large percentage of rural and small-town telephone users keep their phones mainly because they have sons or other relatives in the armed forces and feel that they must have their telephones.

However, many have told me that if taxes on telephone services are increased again they will be forced to discontinue their telephones, and that if this 15- to 20-cent increase goes into effect there is nothing else for them to do.

We feel that this proposed increase is a selective tax and a discrimination, and is unfair to the industry and, in addition, it will weaken the morale of the rural and small-town people, who cannot afford telephones.

In large cities and large corporations this might work out, but small corporations are already tax burdened almost beyond our capacity to pay and still keep our service up to the standard we wish to have.

We maintain that a telephone in rural communities is a necessity and not a semi-luxury.

I am writing to you, whom I feel understand conditions here, so that you can in our behalf protest to the members of the Ways and Means Committee.

We hope you will be able to help us.

Sincerely,

VENNIE G. LOVE,
President.

GALLATIN, Mo., November 20, 1943.
Hon. WAT ARNOLD,
Congressman, First District,
House of Representatives,
Washington, D. C.:

Please protect us from an increase in the selective sales tax on the telephone service of our Daviess and De Kalb County subscribers, of which approximately 85 percent are farmers. This service is not a luxury but a necessity with dwindling gasoline and tire supplies. With your knowledge of these rural communities you know 15-percent tax on telephone service is confiscatory. Anything you can do to block this tax increase will be greatly appreciated.

JOE M. ROBERTS,
President Inter-County Telephone Co.

Mr. KNUTSON. I yield 5 minutes to the gentleman from South Dakota [Mr. CASE].

Mr. CASE. Mr. Chairman, I shall address myself to two phases of the bill, or at least, two phases of the discussion

this afternoon which have to do with the appropriations in which the War Department Appropriations Subcommittee is interested. That is as to the savings under this \$13,000,000,000 that was reported the other day and as to the renegotiation features of the bill.

Already this afternoon during the remarks made by others, there has been some discussion of this \$13,000,000,000 and its relation to the fiscal burdens of the Government. Because of limited time I am only going to refer to that at this time to say that the true credit, the real credit for the saving of that \$13,000,000,000 should go to the boys in Australia, in Alaska, in Africa, in Italy, in Sicily, and on the high seas, who are responsible for the change in the military situation which made possible that financial cut-back from the military picture as it was presented to us last May.

With respect to the renegotiation features of this bill, as I said early during the afternoon, the gentleman from Oklahoma [Mr. DISNEY] and the gentleman from Minnesota [Mr. KNUTSON] and the members of the subcommittee that handled this provision are entitled to a great deal of credit, as are other members of the committee who worked on this most difficult problem we have in connection with war financing.

Renegotiation was developed in the War Department Appropriation Subcommittee to meet a special and extraordinary problem. It was a problem that has scarcely been touched upon here today, the problem of vast and extraordinary profits being made on war contracts. It is a problem on which the public has been getting but one side, lately. Here is a circular put out by Mr. Edward G. Budd, president of the Budd Manufacturing Co., and the Budd Wheel Co., entitled "The Dangerous Injustice of Renegotiation," which was on your desks this morning, I presume. Now, the situation in the Budd companies is the kind of situation that produced a demand for something to curb excessive war expenditures and since this circular appeared yesterday and today, I use it as a convenient illustration of the problem. After reading the circular I called on the War Department for their figures in the Budd case and I have here a break-down of the profit sheet of the Budd Manufacturing Co. Contrary to the impression one might receive from the generalities in this circular that they had made a profit of only 1 percent or something like that, listen to these figures from the records in possession of the War Department:

The Budd Wheel Co. for the fiscal year ending December 31, 1942, did a war business of \$41,271,000. Its profit, before taxes, was \$9,999,000, or 24.2 percent on its total volume of business. Its profit after taxes, if there had been no renegotiation, would have been \$3,033,000, or 55.8 percent of the net worth of the company. After renegotiation its profit was still 12 percent of its net sales, and its net profit after payment of taxes was 26 percent of the net worth of the company.

When the War Department Appropriation Committee ran into situations like this, is it any wonder that some of us thought that you, and you, and you, would be held accountable by the members of your district if you permitted these vast sums of money to be paid out of the Federal Treasury without any attempt at recovery?

One further reference to the facts on the Budd Co. The salary of Mr. Budd in 1933 was \$43,200, from the Budd Manufacturing Co. In 1942 that was jumped to \$65,410. But in addition to the Budd Manufacturing Co. they now had the Budd Wheel Co., and from the Budd Wheel Co. Mr. Budd received an additional salary of \$140,318, making an increase in his annual salary from \$43,000 in 1933 to \$205,000 in 1942.

Similar examples of greatly increased profits and salaries were coming before us in the spring of 1942—get the full facts on any case you hear about. You will understand what I mean when I say that the origin of renegotiation was the situation that we confronted.

The Government, the country, was in a situation parallel to the parent who found his child about to die. He said, "Send for a doctor." Somebody said, "Which doctor shall I get? Shall I get the expensive doctor?" "Well, there is only one in town. You run and get him and do not ask what it is going to cost." The father said, "We have to have a doctor right away. This is a case of life and death."

A lot of the war contracts were made in that fashion. I do not justify them. I supported the effort of the gentleman from Michigan [Mr. ENGEL] to eliminate cost plus and cost plus-fixed-fee contracts before we got into the war. But that lost, and later we got into the war and contracts were let right and left. Many times neither the contractor nor the Government had any idea of what the cost would be to change a washing machine factory to a munition factory. So we sent for the doctor—any doctor we could get. After the doctor came, perhaps he was an expensive doctor. Perhaps he found his costs were not as much as expected and that his prices were high.

The CHAIRMAN. The time of the gentleman from South Dakota [Mr. CASE] has expired.

Mr. KNUTSON. Mr. Chairman, I yield the gentleman 2 additional minutes.

Mr. CASE. So what did we propose? Go back to the father who sent for the doctor to treat his child. After he got the doctor's bill, it is possible that he found the bill pretty stiff. He renegotiated. Perhaps he just said, "Let us look this over. I cannot use you again at this rate. Let us reprice this a little." Anyway he renegotiated. Repricing is nothing new in business and nothing new in industry.

The amendments which this bill will propose are good amendments to the bill. As a matter of fact, I went before the committee and I suggested to them that I thought the same as I did over a year ago, when we adopted the statute origi-

nally, that the statute was imperfect. That it was merely a start. That somebody should work on it further and perfect the details, or even try something else if it would do a better job.

This committee has done a splendid job in the amendments offered. It has given excellent study to the whole problem. Naturally I am pleased to find that five of the changes that I suggested to the committee are incorporated in the amendments now offered to the statute.

For instance, there is the explicit right of appeal by setting up a tax court, a court of appeal body, and before that, a review body. So that now the right of appeal will be expressly provided in the statute.

In addition to that, the size of the exemption is to be raised from contractors with war business up to \$100,000, increased to extend up to \$500,000 total Government war business.

In addition to that there is a definition of standard commercial articles, which makes it possible for the Secretary or the Single Price Adjustment Board to exempt the articles where substantial competition exists.

For they have also adopted the idea of one central price adjustment board, so as to create uniform policies throughout the program for all agencies concerned and provision is made for terminating renegotiation when the war ends, not 3 years afterward.

I know my time is about to expire again, but let me say again that there is no perfect answer to the problem of excessive war profits. You may have ideas that will further improve the statute, and "if you know a better hole, go to it."

There is not a Member of this House who has not repeatedly, publicly and privately, said that he would do all in his power to prevent excessive war profits if we ever got into war again. The law was new; it was not perfect and these amendments, while they improve it, will not make it perfect. But it works. It has saved over \$5,000,000,000 of the taxpayers' money and is getting better prices on new contracts.

You take any one of the celebrated cases and get the facts from the War Department or the Navy Department and you will agree with me that were it not for renegotiation there is not a Member of this House who could go back to his district and defend the excessive profits that would have been made from War and Navy and ship contracts, without renegotiation.

The CHAIRMAN. The time of the gentleman from South Dakota has again expired.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Oklahoma [Mr. JOHNSON].

Mr. JOHNSON of Oklahoma. Mr. Chairman, I have asked the indulgence of members of the Committee at this time to read a letter I have written to our popular and able Chief of Staff of the United States Army, in which I felt it my painful duty to discuss the General Patton incident and request that in view

of the wide publicity given same, the general in question be removed from his command immediately.

The letter follows:

NOVEMBER 24, 1943.

Gen. GEORGE C. MARSHALL,
Chief of Staff,
War Department General Staff,
Washington, D. C.

DEAR GENERAL MARSHALL: I am taking the liberty of writing you with regard to the despicable incident involving Lt. Gen. George S. Patton, Jr., who evidently in a fit of anger cursed and struck a shell-shocked soldier in a hospital tent in Sicily last August.

I have read a number of accounts of this incident since the story was first told by a well-known radio commentator last Sunday evening. The following day, the newspapers of the country published what was said to be an official Army headquarters statement, as follows:

"General Patton is commanding the Seventh Army, has commanded it since it was activated and is continuing to command it. General Patton has never been reprimanded at any time by General Eisenhower or by anyone else in this theater."

Today the country is told that although the general had not been "officially" reprimanded, that General Eisenhower upon hearing of the incident immediately wrote the general denouncing his reprehensible conduct and ordered him to make amends, or be removed from his command, which the country is assured the general did "on his own volition." The apologies, however, according to front-line dispatches, were not forthcoming until the general was ordered to do so by General Eisenhower. The same front-line dispatches say that although the facts of the incident were generally known among officers and men throughout the entire division, the incident was not disclosed for 3½ months after it occurred. There is little doubt that it never would have been disclosed if the story had not broken over the radio. The following paragraphs of one of the dispatches, which evidently cleared through Army headquarters, follows:

"The incident for which Eisenhower rebuked one of his ablest battle leaders occurred early in August when the Sicilian campaign was at a critical period. Patton, visiting an evacuation hospital, was walking among the wounded, patting some on the head and sympathizing with them, when he came upon a soldier sitting on a cot with his head in his hands, weeping.

"In reply to Patton's question as to what was the matter with him, the soldier was quoted as replying: 'It's my nerves. I guess I can't stand shelling.'

"According to those present, the general thereupon burst into a rage, and, employing profanity, called the soldier a coward and yellow belly and other epithets and ordered him back to the front. The scene attracted several persons, including the commanding officer of the hospital, the doctor who had admitted the soldier, and a nurse.

"In a fit of fury Patton struck the soldier on the rear of the head with the back of his hand. The soldier fell over slightly, and a nurse, intent on protecting the patient, made a dive toward Patton, but was pulled back by a doctor. The commander of the hospital then intervened.

"Patton, still in high temper, told other patients his views, then returned to berate the shell-shocked soldier again. The soldier appeared dazed, but offered to return to the front and tried to gain his feet as Patton left the hospital without making further investigation of the case.

"It was later ascertained that the soldier had been diagnosed as a medical case a week before the hospital incident, but he refused to leave the front until he finally was ordered

back by his unit doctor. After Patton left the hospital the soldier demanded to return to the front immediately, but was forced to rest for another week."

The dispatch further added that doctors at the hospital diagnosed the private's illness as acute malaria and said he was partially delirious at the time of the general's incident, one report revealed.

Now, General, these facts speak for themselves. Assuming these front-line reports are true, I am amazed and chagrined at the statement that General Patton is still in command of the Seventh Army, and the further statement that the incident is closed.

Permit me to say that I served as a buck private in France for more than a year with the Thirty-sixth Division during World War No. 1, and saw active service in the front lines. I know first-hand of the horrors and excruciating pain of shells landing all about me. If the officers and men in the Seventh Army really know the facts in connection with this unfortunate incident and of the inexcusable and despicable acts of the general in question, I know from personal experience that they would not want him in command of their outfit; but whether they are aware of the true facts or not, the mothers and fathers of these gallant lads are entitled to know that their commanding officers can be depended upon under any and all circumstances to protect them if and when humanly possible to do so. Such incidents might be overlooked and closed with an unofficial spanking in Hitler's army, but not in Uncle Sam's.

I have a boy—a fine, upstanding orphan boy I reared from infancy who is now somewhere in the European theater. He also enlisted as a buck private. His devoted wife and other loved ones in Oklahoma and elsewhere, as well as the loved ones of millions of other brave young officers and men are entitled to know that no such incident will ever occur in the future.

Let me add, General Marshall, that I am not now, nor have I ever set myself up, as a military expert. I have profound confidence in you as a military leader, and as a member of the House Appropriations Committee have voted for every dollar the Army has requested, resolving any doubt in favor of the demands of yourself and other military leaders. I feel that we have a great Army, and I want it to continue to be great and well disciplined.

I do not have a personal acquaintance with General Patton, but I have some responsibility to our men and women in uniform, as well as to the fathers and mothers of our country's defenders.

I would not cast any aspersions on the general's previous record. Reports from the fighting front indicate that prior to this incident, General Patton had demonstrated outstanding ability as a commander, but it should be obvious that this unprovoked attack upon a private soldier has destroyed the general's usefulness as a commander of the Seventh Army or any other division.

In view of the wide and unfavorable publicity the incident has received, I do not consider it presumptuous to suggest that General Patton be relieved of his command immediately.

Sincerely yours,

JED JOHNSON.

Mr. MAHON. Mr. Chairman, today we consider a new tax bill. Taxes are already high—almost unbearably high, especially for some of our people. Yet, I believe that if the people are given economy and wise administration, they will be willing to try to pay a greater portion of the cost of the war now rather than leave an extra burden for the men in uniform to shoulder when they return to their native land.

Too much emphasis has been placed on the demand for more wages and profits. If I were away in some remote quarter of the earth, fighting a war to prevent the conquest and destruction of my country and against a ruthless and cruel enemy, it would arouse my indignation and disgust if I should learn that the folks back home in the United States were striking, wrangling over wages and profits, and carrying on in such a way as to appear to be oblivious of my perilous position and the issues involved in this terrible war.

The sacrifice of the men on the fighting fronts is terrific. It is indescribable. There is anxiety, privation, hunger, bullets and bombs, wounds—both physical and mental—and death. Occasionally we may sense for a moment a realization of what our fighting men must endure. But it is impossible for us who are far from the war zones to see and feel the true picture. Fighting men who return home with broken bodies cannot portray to us—make real to us—the terrible strain and stress of the front lines.

Against that background of war we consider this new tax bill. Nobody likes high taxes. But as long as about 10,000,000 of our men in uniform hazard their lives in this war, I think that most civilians have a feeling that they, too, would like to do a little sacrificing—in fact, a great deal of sacrificing for the common good, realizing that their sacrifices at home cannot even be compared with the contribution of our men who are fighting this war. If they give their blood, we can give our toil and our money, and the sacrifice will still be quite unequal.

Immediately after Pearl Harbor, waste, extravagance, and profiteering should have been cut to the minimum and we should have begun to pay a greater portion of the costs of this war. That statement will have to be included in a true history of World War No. 2. And is there anything wrong with a policy which requires that civilians toil and produce and pay while others train and fight?

But our tax program has been badly bungled. The year 1942 began 24 days after Pearl Harbor. Our 1942 national income was the greatest in history up to that time. Did we pay adequate taxes on 1942 individual income? No. About 75 percent of all individual income taxes on 1942 income was canceled. About \$7,000,000,000 in individual income taxes were canceled by the adoption of the so-called modified Ruml tax plan which became the law on June 9, 1943. I shall always be glad that I voted against that iniquitous tax bill. The more the people learn of its effect and the confusion it has wrought, the more those of us who opposed the measure will be vindicated in our stand. If millionaires are made out of this war—and many are becoming rich while others die—that tax bill will share a large portion of the responsibility.

There were those who wanted to cancel 100 percent of the income tax on individuals on 1942 income. I am willing to

predict that in the post-war period the angry cry will not be that too little was canceled, but that too much was canceled.

Regarding the profits being made during this war, let me say with all the emphasis at my command that when the history of this war is written it will not be said that the civilians, generally speaking, made too little profit out of the war, but that they made too much. And let me make this statement. When the history of this war is written, perhaps by some soldier who has returned from a rendezvous with the Japs in the jungles of the southwest Pacific, it will not be said that the American people paid too much in taxes to help support the war effort, but that many Americans paid too little in taxes to support the war effort.

I heard someone say the other day that we could not pay more taxes—and, indeed, there are many who cannot bear any additional tax burden. It was cleverly pointed out that "you can shear a sheep many times but you can skin him only once." But that adage must not be used in defense of the profiteer. And many cases of war profiteering have already been exposed. We cannot overdo the job of trying to prevent war profiteering, and of recapturing excessive profits in taxes. When the profits and profiteers of this war are truly understood, I predict that it will not be sufficient to glibly say, "You can shear a sheep many times, but you can skin him only once." That will not afford shelter for those black sheep who have taken advantage of the war to make undue and unreasonably high profits.

I think I know the attitude of the people whom I represent. When I had the opportunity to be among them this past summer, I made it my business to find out what the people thought. I think I found out what they thought, and I do not think they have changed their minds. The great heart of the American people is still true and just and fair. The people are willing to pay taxes to the very limit if they are assured that their money will not be wasted and trifled away by people who are charged under our system of government with the serious business of running the war. Yes, I found out that the people were even willing to pay more taxes if the above-stated conditions were met—certainly for the duration of the war, and in cases where it is possible for them to pay more.

I found out some other things. The people are not interested in politics as such, and they are not interested in public officials whose chief concern is politics. They are sick at heart over waste and abuse, yet most of them realize that some waste is inevitable in time of war. Undoubtedly, economy in Government will be a stimulant of the first order to the people.

The people want to win this war at the earliest possible opportunity, and they are willing to pay the price, but in trying to pay the price of freedom they do not want to be overcharged, deceived, and misled, nor do they want this country to cease to be the land of freedom and

opportunity for themselves and their children when this war is over.

Others may regret that the people hate bureaucracy and regimentation. But democracy will be threatened if the people ever cease to have a wholesome and active interest in the affairs of their Government. What the people really hate is incompetency—the incompetent, egotistical, impractical, bungling, wasteful bureaucrat who is hurting the war effort and confusing the people. Americans have not lost appreciation for humble, efficient, and hard-working public servants who are doing a good job in the various bureaus and agencies of the Government. And there are many of that very type who deserve not the scorn but the thanks of our people.

Business institutions are pointing out that if they are to survive after the war, all profits cannot be taken away in taxes. This is correct. After all, upon business institutions we will have to rely for the employment of many returning servicemen and others when the war is over. We cannot serve the public interest by destroying either individuals or corporations and thereby destroying the economic structure of our country. On the other hand, we cannot afford to be too generous in providing for the financial security of our people at home for the after-the-war period at a time when nearly 10,000,000 men in uniform are immobilized insofar as civilian life is concerned. They have no chance to lay aside for a rainy day. They have no chance for profits. They only have a chance to fight—perhaps to die. They have no chance to get rich during the war; they only have a chance to get killed. One cannot make a proper approach to the tax question without having these 10,000,000 men constantly in mind, and Americans who have those men in mind will want to pay as they fight. A proper approach requires rigid economy in Government, less liberal appropriations by Congress and a stronger tax policy.

The Nineteenth Congressional District of Texas is an agricultural, not an industrial district. Those who produce food and fiber are not happy about the ugly charges which have been made to the effect that the farmers are greedy and selfish; that they are trying to profiteer out of the war. What the farmer is trying to do is to produce for victory. It does arouse the indignation of the farmer to see excessive wages being paid in war plants and to observe the excessive profits of many of the war industries. Fortunately, the bill before us increases the excess-profits tax on corporations to 95 percent.

If civilians at home are now angered by the profiteering of selfish groups in this country at this time, do you not know that when the war is over, and our men come marching home, their indignation over these wartime profiteers will reach a very high peak indeed?

The question with us should not be how much money we can make out of the war, but how much we can contribute by every means at our command toward winning the victory at the earliest

possible moment. The full and complete cooperation of all our people is required. We are standing at the threshold of great opportunity and we cannot afford to fail.

Mr. KNUTSON. Mr. Chairman, I yield 1 minute to the gentleman from Indiana [Mr. GRANT].

Mr. GRANT of Indiana. Mr. Chairman, I ask unanimous consent to proceed out of order for 1 minute.

The CHAIRMAN. The gentleman from Indiana asks unanimous consent to proceed out of order.

Without objection, it is so ordered.

There was no objection.

Mr. GRANT of Indiana. Mr. Chairman, last August a soldier from the district which I have the honor to represent, Pvt. Charles H. Kuhl, of Mishawaka, Ind., was with the American Seventh Army in Sicily. He was then confined to a hospital suffering from malaria and shell shock. On August 4 he wrote his family, saying:

General Patton slapped my face yesterday, and kicked me in the pants, and cussed me.

That family kept the letter and that unfortunate incident, that hurt, to itself.

Following the widespread publicity given the incidents relating to Lt. Gen. George S. Patton, Jr., in the last several hours, this family has made known the contents of that letter. Of course, they could not help but feel as any American father and mother would feel over such an incident, but like every other American, their paramount thought is the early and successful end to the war.

It is with considerable pride that I read to you, Mr. Chairman, a statement which was issued today in Mishawaka, Ind., by the father of this young soldier:

I hold no personal feelings against General Patton. If he is a good man, as they say, let's keep him. We need good men. I am willing to let the case rest as is and drop the whole thing, and get on with the war. I want to make it clear that we did not make public the letter from Charles to spite the general; otherwise, we would have made it public long ago. As it was, we kept silent about the whole affair until a report of the incident was made in the newspaper. Then we felt that we should inform the South Bend Tribune of the letter we had received from our son. We don't want to stand in the way of a promotion of General Patton.

That, Mr. Chairman, is the kind of stuff of which Americans are made. Let the Army handle its own problems and let us get on with the winning of the war.

Miss SUMNER of Illinois. Mr. Chairman, will the gentleman yield?

Mr. GRANT of Indiana. I yield.

Miss SUMNER of Illinois. Would the gentleman tell us the date of that incident?

Mr. GRANT of Indiana. This letter was dated August 4. It said the incident happened the day before.

The CHAIRMAN. The time of the gentleman from Indiana has expired.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from Nebraska [Mr. CURTIS].

Mr. CURTIS. Mr. Chairman, a little while ago when members of the Commit-

tee on Ways and Means were asking unanimous consent to extend their remarks I was earnestly in the hope that some member of the committee would ask unanimous consent to expunge everything the committee had done up to now. I realize, however, they had a tough job and I am very much pleased over the fact that we are sending this bill over to the Senate today. I feel that the American taxpayers are entitled to a tax bill that is not retroactive, and I hope the bill comes back and becomes a law before the calendar year 1943 expires.

The chairman of the committee told us that in the last 5 years the tax hand of Uncle Sam has reached down into the incomes, pay envelopes, and other properties of the American people to the extent of changing our tax revenues from \$5,000,000,000 a year to \$43,500,000,000.

I wonder who was hurt by taking that additional \$38,000,000,000? I believe for the most part people continue to consume food; no doubt they continue to buy clothing—at least what is available to be bought—but I believe, Mr. Chairman, that more than any other one group in America that has been hurt by this excessive tax program, our religious and charitable institutions have been hurt. It has been the endowed colleges, the hospitals of America, the orphanages, if you please, and the churches of America that have taken the brunt of this cut in the national income by reason of our tax program.

In 1942 the contributions to religious institutions were the lowest on a percentage basis in the history of America. In 1943 it will be still lower. An unfortunate thing happened when we passed the withholding tax—something that violated a principle long established in America. We have always held that 15 percent of an individual's income if contributed to religious and charitable institutions was exempt from taxation; but consider the individual—and there are millions of them—whose sole income is a salary subject to the withholding tax. In order for them to carry on paying to these splendid institutions they must pay a tax on exempt income and then at the end of the year file a claim for refund or credit against the United States Government. The result is that it is making a tremendous inroad upon the income of these splendid institutions.

I offered a bill to the committee which would provide that an employee may notify his employer of his anticipated contributions at the beginning of a taxable year and have that amount subtracted from his wage at each pay-roll period before the withholding tax was applied.

That principle has the support of the colleges of America of practically every denomination, Protestant and Catholic. In the very few minutes at my disposal I do not have time to go into this thoroughly. I could read resolutions from the Protestants, the Lutherans, the Christian Scientists, the Catholics, the American Association of Colleges, and various hospital associations. Yet the committee turned a deaf ear to that proposal. Eventually it will come. We

cannot go on taxing exempt income and then expect people to file a claim for a refund at the end of the year. We cannot go on destroying the institutions that make for a strong citizenry and have any national income or property left in this country.

The CHAIRMAN. The time of the gentleman has expired.

Mr. KNUTSON. Mr. Chairman, I yield such time as he may desire to the gentleman from Michigan [Mr. MICHENER].

Mr. MICHENER. Mr. Chairman, the primary purpose of this bill is to extend the life of the Commodity Credit Corporation for such time as the war emergency may require. The House unanimously agrees that this should be done.

There is difference of opinion, however, as to section 3 of the bill, which would terminate the payment of consumer subsidies on any agricultural commodity, or commodity manufactured therefrom, after January 1, 1944, provided, however, that the payment of subsidies might be continued "in transactions with respect to competitive domestic vegetable oils and fats and oil seed."

In short, the only controversy before the House is as to the advisability of the payment of certain consumer subsidies out of the Treasury of the United States.

It has been repeatedly said throughout the debate that the rank and file of the people are confused as to what subsidies mean and as to what inflation means. In order to appreciate the controversy, it is necessary to have some understanding as to what these terms mean or imply. The dictionary defines the subsidy about which we are talking as—

Pecuniary aid directly granted by government to an individual or commercial enterprise deemed productive of public benefit.

A leading economist defines inflation as:

An increase in consumers' purchasing power in relation to the quantity of consumers' goods, manifesting itself in a rise in the general price level. The causes of inflation are those forces that tend either to increase consumers' purchasing power or decrease the quantity of consumers' goods.

We should all agree that consumer subsidies are advisable if productive of public benefit. I cannot conceive of a Member voting against subsidies if he is convinced that subsidies will in the end be productive of public benefit. The public is made up of all the people and it is seldom, if ever, possible to enact a law that is equally beneficial to all individuals, classes, and groups. That is why no law satisfies everybody. That is why all laws should be so framed as to provide maximum benefits to the maximum number. Special privileges and particular benefits to groups and classes should always be avoided insofar as possible. The public good is paramount.

This subsidy controversy resolves itself into this question: Will the payment of these subsidies be beneficial to the public in the long run?

It must not be forgotten that these subsidies are of two kinds:

First, Producers' subsidies, the payment of which is for the purpose of increasing production of materials, commodities, and things necessary in this war period. Here, again, the debate has shown unanimity of opinion on the part of the House; that is, there is no controversy as to the payment of producers' subsidies. This bill in no way affects such payments; therefore, producers' subsidies are not an issue in this debate.

Second, Subsidies to be paid by the Government to the consumer. Section 3 deals only with food and food products. It works like this: The Government taxes the people, or sells bonds to the people, to raise money to make it possible for the consumer to buy his groceries and food at a price below that which he would pay if the Government did not pay a part of his grocery bill. These subsidies would inure to the benefit of everybody who purchased groceries and food regardless of the wealth, the wage, or the income of the person making the purchase. There would be no distinction between paying the grocery bill of Henry Ford or the widow with the small income; that is, a general, over-all, uniform present—out of the taxpayers' money—is given to all of the people of the country who buy groceries and food.

Our people may be divided into two general groups for the purpose of this discussion: (a) The war worker and others now receiving the highest income ever received for like work in human history. This group constitutes a large segment of our population. (b) The professional person, the peacetime worker, including school teachers, municipal employees, clerks, pensioners, and others, who have had no commensurate increase in income during the war.

The cost of living has increased definitely during the war. During the same period the war worker wage has increased much more. For instance, I have in mind a national defense area where approximately 40,000 persons are employed in war industry at an almost unbelievably high wage. In the same community there reside approximately 3,000 persons who constitute the lower income group referred to in (b). The 40,000 persons were never so financially able to pay their own grocery bills as they are right now. The 3,000 persons find it very difficult to meet their living expenses because of the high cost of living and their limited income.

Those who advocate over-all consumer subsidies would pay a like part of the grocery bills of each group. It is difficult for me to reconcile this type of public spending. The Federal Government is billions of dollars in the red and should not be called upon to pay the living costs of any group of our people which is abundantly able to support itself.

Equity and justice require that some method be devised to make it possible for both groups to enjoy the American standard of living. This is a difficult problem and it seems to me that the stamp plan embodied in the bill offered

by the gentleman from Massachusetts [Mr. HERTER] has possibilities and, if adopted, would make it possible for the Federal Government, at much less expense and with more justice, to give aid to the so-called white-collar low-income group without subsidizing the other group. At least some consideration should be given to this or some other alternative suggestion before the Government embarks upon a policy of universal grocery-bill paying.

It is not fair to tax all of the people, including the boys in the front lines who are receiving only \$50 a month, to pay the living expenses of those who are safe and secure in bombproof jobs, when this group is amply able, by reason of war wages, to feed itself. Nevertheless, that is just what the administration's consumer-subsidy policy contemplates.

Mr. Chairman, the payment of food subsidies is not a new idea. It was tried out by, and contributed to, the fall of the Roman Empire. Subsidies brought on unbridled and uncontrolled inflation in Germany after World War I. Subsidies beget subsidies. Like opium, a small dose is invigorating, but if taken in sufficient quantities leads to ruin. The first dose is innocent and harmless but, when the patient feels the sensation, the will to resist is progressively destroyed. It is the province of the citizen to support the State rather than the State to support the citizen.

Prices must not be permitted to continue to rise, and it is the duty of the Congress and the administration to prevent this. I voted for the O. P. A. law giving the President the power to control prices. That was more than 2 years ago. At that time, however, I supported the Baruch amendment requiring the freezing of prices and wages as of a given date. I opposed selective freezing of commodity prices at random. I felt then that it would be wiser to require an overall freezing of ceilings, and then make provision for the thawing of price ceilings if, when and where inequalities were found to exist. I think that all of us are convinced now that that would have been the better procedure. The administration thought otherwise and its views prevailed. That is water gone over the dam. Nevertheless, the President and the O. P. A. have sufficient power today and, if these authorities will administer the law as directed by Congress, food subsidies should not be required. In this connection, I quote from an editorial appearing on November 27, 1943, in *Labor*, the official organ of the 15 recognized standard railroad labor organizations. That editorial says in part:

Organized labor has gone along with the O. P. A. in its efforts to control prices—even to the extent of supporting the administration's subsidy program—but prices have continued to soar. * * * Congress gave the O. P. A. plenty of power. We still believe that price have soared because that power has never been vigorously used.

Mr. Chairman, I agree precisely with this editorial. The paper, *Labor*, is notoriously pro-New Deal, which fact adds much weight to its criticism of O. P. A.

administration of the Price Stabilization Act.

The opponents of consumer subsidies believe that the principle is economically and fundamentally unsound; that the Congress has already given the President sufficient power to control prices; that it is economically and morally wrong to take tax money out of the Federal Treasury and hand it over to high-income groups which do not need it; and that such procedure will increase the spending power of these high-income groups, thereby stimulating materially the dreaded inflation which we all fear so much.

The Administration in its advocacy of consumer subsidies insists that without such gratuitous payment on the part of the Government, the general price level will rise, that inflation will become rampant, and that the whole economic structure will collapse. Indeed, the consumer subsidy leaders throughout the debate have indicated that the economic life of the Nation hinges on the defeat of section 3 of this bill. They say that the country is going to the dogs in a hurry if this section is permitted to remain. This position is supported largely by organized labor groups and is ballyhooed by some radio commentators and newspaper columnists. Generally speaking, organized labor and organized farmers are the pro and con leaders in this consumer subsidy dispute. Let us be practical and say that the farmer wants to secure the highest legitimate price possible for his products, and that organized labor wants to receive the highest wage possible; but let us not forget the rest of the people—who are not farmers or not high paid organized labor workers. This common man, in between these organization groups, has no lobbyists in Washington except his hired men in the Congress. It is, therefore, our responsibility to give due weight to the whole problem and, in the end, cast our own votes without fear or favor so far as either organized group is concerned. We cannot please both groups.

I am satisfied that some prices are going to rise and that the cost of living is going to be increased, whether consumer subsidies are paid or not. If these subsidies are paid, it will mean borrowing the money, and last but not least, it will mean repaying this money by the taxpayers together with interest; that is, an additional mortgage to the amount of the subsidy paid will be placed on the United States. You who have had experience with mortgages know what the payment of interest, as well as the payment of principal, means. Let us not deceive ourselves because there is no easy honest way to pay off a public debt. Necessary aid, yes. Needless contributions and gratuities, no.

Now let us consider inflation for a moment. If "the causes of inflation are those forces that tend either to increase consumer purchasing power or decrease the quantity of consumer goods" then the payment of consumer subsidies will be inflationary because it will increase purchasing power and will not increase the quantity of consumer goods. The

effect will be the same as if the wage or the income of the consumer were increased to the amount of the subsidy. The spending money of the war worker who is now receiving \$150 a week in wages will be increased exactly to the amount that the Federal Government helps pay his grocery bill. Of course, this is inflation, and the greater the subsidies the greater the inflation. The roll-back philosophy is just an indirect method of increasing wages without admitting it.

The Government economists tell us that inflation can only be avoided by taking away from the people some of the money, which they now have, in the form of higher taxes, and by producing more goods and commodities. This means that the law of supply and demand is really what controls inflation. Surely, paying a part of the consumers' food bills will not produce more food. Again, we must not forget the difference between producers' subsidies and consumer subsidies. I repeat, the economists tell the Congress that "we must take steps either to reduce the spending money of consumers or to increase the supply of available goods." The payment of consumer subsidies does neither. The effect is just the opposite.

Mr. Chairman, this bill has been thoroughly considered and passed the House on a roll-call vote of 278 for and 118 against. It is silly to say that this is a political partisan matter. The bill was reported favorably by the Banking and Currency Committee which has a large Democratic majority. The author of the bill, as well as many of its chief spokesmen, are outstanding Democrats and many of them New Dealers.

Every Member of the House had an opportunity to offer any amendment he desired under the general rules of the House. The bill was not considered under a "gag" rule, even though some of the newspapers of the country have so stated. I voted for the Monroney amendment which would have tied in subsidies with wages and, to this extent, would have permitted temporary limited subsidies. After hearing all the debate and considering the threat of the Administrator of the O. P. A., that if all subsidies were eliminated immediately, food prices would automatically increase all along the line, I voted for the Kunkel amendment, postponing the date of the elimination of consumer subsidies until further study could be made by the Congress. Both of these amendments were defeated. I then voted to send the bill to the Senate. The O. P. A. has power to permit prices to rise to any level it desires. Its declaration that unless Congress takes certain action then prices will go up, certainly should give us reason to pause.

In conclusion, the Congress is confronted with a threat susceptible of fulfillment. We are dealing with a practical situation, not with a theory. Inflation is now abroad in the land. Prices have not been controlled and stabilized as contemplated when the O. P. A. law vested adequate power in the President. This is no time to talk about what

should be because we are confronted with what is.

While I am diametrically opposed to the general subsidy philosophy, nevertheless, because of the way in which the price-control law has been administered, the country is in a fix, and I am in much the same frame of mind as the editorial writer of the largest daily in my congressional district, who stated:

But we may have reached a point in our economic problems which calls for seeking any old port in a storm.

Mr. KNUTSON. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, I do not intend to take the full 5 minutes by any means; I hope no one will begrudge me a few minutes to express my gratitude for this moment of vindication.

A little over a year ago when we were considering the conference report on the tax bill for which I had previously voted, the conference report came into the House from the Senate containing what is now known and what was then known as the Victory tax. I believed that tax was the most unworkable, the most anything you want to call it, piece of legislation I had ever seen and I had the temerity, with only one other Member of the House, to vote against it. Two of those most affable gentlemen of the fourth estate who preside over the destinies of our words approached me following that vote and asked: "Did you vote against that Victory tax?" I said, "I did."

Those words went far and wide over the country and this gentleman was very bitterly condemned at home. That came just before election and some of my friends and political opponents stated, "HINSHAW has voted against victory by voting against the Victory tax." Now, I find that the noble Committee on Ways and Means, the Treasury Department, and everybody in the United States agrees that it was a miserable tax to start with.

I therefore appreciate these few sweet moments of vindication. The Victory tax is repealed by this bill. It should not have been enacted in the first place.

Mr. Chairman, this bill we are considering today will please no one. Mr. and Mrs. John Public are entitled to a simplification of tax returns. It is suggested that the Ways and Means Committee take a long vacation from considering new forms of taxes, so that they may be able to retire into their cloisters and do a job of simplification. It takes a Philadelphia lawyer and a Shanghai accountant to make out one of these returns and even then there is no even close certainty that the return is correct. People do not mind paying taxes but they go into fits of profound despondency when they contemplate making out the returns.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Pennsylvania [Mr. KELLEY].

Mr. KELLEY. Mr. Chairman, I am opposed to this tax bill. There are several reasons. The principal reason is

the inclusion of the minimum tax provision whereby the families of lowest incomes are subject to taxation. The exemption for a married man is but \$500 and but \$100 for each child. Does no one ever give a thought to the struggles of the poor to win meat, bread, and butter, and their consequent inability to pay taxes? This smacks of rank injustice.

Mr. DOUGHTON. Mr. Chairman, I yield 5 minutes to the gentleman from Virginia [Mr. FLANNAGAN].

Mr. FLANNAGAN. Mr. Chairman, I am disturbed over this bill in more ways than one.

In the first place, I am afraid that we are dodging our tax responsibility. Under the tax bill passed sometime ago, we forgave billions of dollars and now in response to the demands of the President and the Treasury for a bill that would produce ten or eleven billions of dollars, we come in with a bill estimated to bring in some \$2,000,000,000. Do not forget that we are spending billions of dollars, the greater part of which we are borrowing, and that some day we have got to pay back every cent we borrow. The time, in my opinion, to increase taxes is when our people are making money, as they are today, and can stand the additional burden. Are we meeting our responsibility as representatives of the people, when the Treasury needs money like it never did before, by forgiving billions of dollars as we did in the first tax bill, and then in response to a request from our Secretary of the Treasury for a bill providing for ten or eleven billions of dollars, bringing in a bill for only \$2,000,000,000.

On yesterday, when the subsidy bill was before the House, the argument was made that, in paying subsidies, we were asking our soldier boys to not only do the fighting but to pay a part of our food bill as well. While I thought the argument spurious and demagogic, in forgiving in the first tax bill and in this tax bill only giving the Treasury two of the ten or eleven billions asked for, I am not so certain that the argument cannot be advanced that in pursuing such a course we are forcing our boys to do both the fighting and the paying.

In the second place, I do not think title VII, which provides for the renegotiation of war contracts, has any place in a tax bill. Why? Well, let me tell you why. A tax bill has to be brought in under a closed rule. This is necessary in order to prevent amendments that would, in all probability, wreck the bill. A tax bill, being highly technical, needs careful and painstaking consideration, and it would be impossible to write such a bill upon the floor. No, I am not objecting to the gag rule, so far as it applies to that part of the bill raising taxes. What I am objecting to is tacking title VII onto the bill and attempting to gag me into voting for or against the bill as a whole. It has been charged, and I understand upon good authority, that while the bill under consideration will raise around \$2,000,000,000, the opening up of hundreds of closed-contract cases, cases that have been finally settled, and renegotiating settlements of these cases under the

new rules set forth in title VII, will in all probability cost the Government some \$5,000,000,000. Are we about to raise \$2,000,000,000 by taxes, give away \$5,000,000,000 in opening up and renegotiating settled war contracts, and wind up some \$3,000,000,000 worse off than when we commenced? I wonder.

If it is right for these closed cases to be opened up, why did not the committee bring in a separate bill on the subject, and give the membership of the House an opportunity to look thoroughly into the matter? Why legislate on the subject in a tax bill. Are we about to put through legislation by tacking it onto a tax bill that it would be impossible to put through if considered independently after free and open debate and with the right to amend?

Mr. Chairman, because this bill contains title VII, I cannot vote for it.

Mr. SAUTHOFF. Mr. Chairman, will the gentleman yield?

Mr. FLANNAGAN. I yield to the gentleman from Wisconsin.

Mr. SAUTHOFF. The gentleman from California [Mr. GEARHART] and the gentleman from Illinois [Mr. CHURCH] objected to any renegotiations. I wanted to ask them if they felt that the soldier who was drafted into the service had the right to renegotiate?

Mr. FLANNAGAN. The charge was made here yesterday that in paying a subsidy we were asking the soldier boys to not only do the fighting but to pay a part of our food bill. I am wondering what the soldier boys are going to say when they come back and find that in the first tax bill we forgave seven or eight billion dollars, then came along with a bill providing for renegotiation of contracts that will probably cost the taxpayers \$5,000,000,000. Are we asking them to do the fighting and the paying also? I wonder.

Mr. DOUGHTON. Mr. Chairman, I yield 10 minutes to the gentleman from California [Mr. VOORHIS].

Mr. VOORHIS of California. Mr. Chairman, the remarks of the gentleman from Virginia, who just addressed the Committee, outline one of the reasons why I opposed a closed rule on this bill.

First of all, may I say that my regard for the members of the Ways and Means Committee is a very sincere one and what I am going to say in criticism of this bill I am sure they will all understand. I have sincere appreciation for the fact that the members of that committee, year after year, have been patient and kind enough to listen to me come before them and testify.

The most clear obligation of the Congress has not been fulfilled in this bill. The job that Congress should have done in taxation has not been done in this bill. I agree with the chairman of the Ways and Means Committee when he said that there has been too much talk about inflation. There has been too much of the wrong kind of talk about inflation. There has been too much talk about how a change in a farm price or a change in a wage level is going to cause inflation. I do not believe it does.

These things are the result of an inflationary situation.

Furthermore, inflation is not nearly as ruinous to a nation as deflation is. I have warned before of this, and I warn again that our greatest danger to the rank and file of the people in this country—and especially to agriculture—is going to be from an attempt to bring about a deflation after this war is over. But that attempt will most certainly be stronger to the extent that we permit an inflation to take place now. Furthermore, the Government has taken the responsibility for determining by and large the level of income of almost every single person in this Nation. As long as that is true, we have a corresponding obligation to see to it that the money they receive is not deflated or diluted in value, which is what will happen to the extent we permit inflation to happen.

The reason I think the tax bill should have been written from the standpoint of the real need of wartime revenue of the Nation on the one hand and the divergence between the potential supply of consumer goods and the income of the people on the other is briefly as follows:

The only real answer to inflation, since inflation is a monetary problem, is to remove the pressure upon prices. The way to remove the pressure on prices is not fundamentally by setting up an O. P. A., not fundamentally by paying subsidies—those are second-best methods that you have to use if you do not use the fundamental method—the fundamental method is to write your tax law so it does the job. That was the burden of my testimony to the committee some weeks ago. I advocated then a program different from the Treasury proposal, but one which would have yielded about the same amount of revenue to help pay now for this war.

Briefly, the figures are as follows: \$136,000,000,000 of income paid out, \$21,000,000,000 of personal taxes, leaving a total of \$115,000,000,000 of spendable income in the hands of the people, not evenly distributed, most of it distributed to the people getting fairly good incomes. At the same time, the maximum consumer goods we can produce will be \$90,000,000,000, if we continue to produce for the war, as, of course, we must and will.

We could raise more money by taxes, I believe, and I think we ought to. It would be hard. I know it would be hard. I agree with everything anybody said about its being hard. But this is a hard time, the hardest time America has ever known. If we had that kind of a tax program, then a bill such as was enacted by the House yesterday would not necessarily result in forcing prices up, because the pressure upon prices would have been removed to a great extent. With a courageous tax program supply and demand would generally balance and much more freedom could be allowed in the whole economy.

People cannot really save the income they are receiving now except if they save it for expenditure over long periods of time. I think an expansion of the social-security program should be pro-

vided for with long-term savings of a compulsory nature so that they would come back to the people gradually over a period of time as they faced the contingencies of old age, ill health, and so on.

I do not believe a proposal such as the Treasury made would have worked, for you would have had great refunds right after the war. I think that would have been a dangerous way to do it, because a large part of the value of these refunds would almost surely have been taken away in a brief but violent post-war inflation.

In this whole problem Congress has gotten itself fairly badly confused in its thinking. On yesterday the debate centered around the question of inflation. The majority voting for the bill yesterday contend the people all had ample buying power to stand sharp increases in prices. On today debate has centered around the question of the tax burden with Members contending the country is bled white. Yet in this bill today we confront the one fundamental measure that could be taken, the one effective measure that could be taken in combating inflation. As I said a moment ago, unless that measure, courageous taxation, is taken we are forced back on less desirable methods, methods that are not as effective, methods that do employ a greater degree of governmental control of the economy. But we have to use those methods if we do not effectively use the fundamental one. Generally speaking we have to have the O. P. A., subsidies, and all the rest, for the simple reason that we have not passed a scientific and effective tax program.

As a matter of actual fact, from the figures I quoted a moment ago I can point out that the amount of income received on the average by American families today is about \$4,000. But it is by no means evenly distributed, of course. Fifteen million families receive less than \$1,000. Some receive, of course, high incomes. Total income to persons who receive in excess of \$5,000 of income in this country amounts to one-fifth as much as the income received by people who get less than \$5,000. A good deal has been made of that point. It has been said that our tax burden on the people below \$5,000 is not commensurate even under the Treasury proposal. I do not quite agree, because after all there are 28 times as many people getting incomes less than \$5,000 as there are those getting more than \$5,000. I would make the tax program equitable all the way along the line, but I would make it in accordance with the ability to pay. After all, it is not true that people with large incomes do not spend it, it is not true that people with large incomes do not contribute to an inflationary demand for goods. They do. Everybody does, except that group of low and fixed income people who were forgotten by the House on yesterday.

Mr. DISNEY. Mr. Chairman, will the gentleman yield?

Mr. VOORHIS of California. I yield to the gentleman from Oklahoma.

Mr. DISNEY. How would the gentleman make an equitable tax on ability to pay where the variation between incomes is so great under \$5,000? A world of people are not making any more now than they did prior to the war.

Mr. VOORHIS of California. That is right.

Mr. DISNEY. A great many are making much more.

Mr. VOORHIS of California. That is right.

Mr. DISNEY. What formula would the gentleman suggest by which to reach those who can pay, and not hurt those who have not had any higher income?

Mr. VOORHIS of California. The gentleman asks me that question when I have maybe a half minute remaining and when I have promised the Chairman that I would not ask him for any further time, so I shall do a thing I ordinarily would not like to do, refer the gentleman to my testimony before his own committee, where I attempted to outline how I would solve that problem. He will find there my answer to his question.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Florida [Mr. PRICE].

Mr. PRICE. Mr. Chairman, I have continually tried to help the white-collar worker, and if there had been an open rule I would have offered the following amendment:

On page 9, line 13, of H. R. 3687, introduced by Mr. DOUGHTON, chairman of the Committee on Ways and Means, November 18, 1943, strike out the colon and add the following: "Be it provided further, That on individuals whose gross income for the taxable year is not greater than 120 percent of his gross income for the taxable year beginning in 1941: And provided further, That he has no dependents and that his gross income for the taxable year is not over \$1,200: Provided further, That an individual who has one or more dependents and that his gross income for the taxable year is not over \$1,500: Provided further, That an individual who has a husband or wife, and no other dependents and that his gross income for the taxable year is not over \$1,800: And provided, That an individual who has a husband or wife and one or more dependents and that his gross income for the taxable year is not over \$2,400, and the provision shall prevail (that in each case neither individual's income shall be 120 percent of his gross income for the taxable year beginning in 1941), shall not be subject to the tax imposed by this chapter for the taxable year, if the taxable year begins prior to the termination of hostilities in the present war, as proclaimed by the President."

This amendment simply provides that a person who has not received as much as a 20-percent increase in his income since January 1, 1941, shall be exempt from paying a tax on his income provided he or she is single and has no dependents and makes \$1,200 per year or less.

If the individual is single and has one dependent he would be exempt if he made \$1,500 or less; if married and no other dependents, he would be exempt if he made \$1,800 or less; if he was married and had one or more dependents, he would be exempt if he made \$2,400 or less.

Let us see exactly what this means. A single person making \$1,200 or less who has had not as much as a 20-percent increase in his earnings since January 1, 1941, would actually receive a yearly raise of \$147.10 in his salary, or approximately \$12.25 per month.

If a person with one dependent was earning \$1,500 and had received less than a 20-percent increase in his income since January 1, 1941, he would actually receive \$131.50 for the year, or an increase of approximately \$10.95 per month.

A person married with no other dependents, making \$1,800 per year under the same circumstances, would receive \$115.90 for the year, or \$9.65 per month.

A person married and with one dependent, making \$2,400, would receive \$165.10, or \$13.75 per month.

Naturally, the more dependents the less they would receive by the exemption. The highest figure of \$13.75 per month for a man, wife, and one child would be less than a 10-percent raise, which you can plainly see would come within the Little Steel formula.

This would help the white-collar workers we hear so much about. We heard many in the well of this House say they could not vote for subsidies because they would be really paying the grocery bill for the rich as well as the poor. Now we have a proposition here that will help only those who are actually suffering, and I believe we will all agree they need help.

I hope we will find some way to help those who are really bearing the heaviest burdens on the home front. To exempt them from paying an income tax would give them a raise that their employers have been unable to grant. There would be no color of a dole attached to this relief and there would be no expense as far as administering is concerned.

Mr. DOUGHTON. Mr. Chairman, I yield 2 minutes to the gentleman from Oklahoma [Mr. MONRONEY].

Mr. MONRONEY. Mr. Chairman, I intend to vote for this bill but I cannot vote for it without first saying that I think it is a weak and faint-hearted approach to a real, honest-to-goodness, wartime tax bill. I think it is weak because of the insignificant amount of revenue it provides in relationship to our expenditures in this year of the war. I think it is faint-hearted because I think it marks another congressional retreat in action we should be taking to try to hold the line against inflation.

I was afraid for the stability of this country when we were spending \$4,000,000,000 more per year than we were getting in from taxation. Now when we are spending \$40,000,000,000 more per year than we are getting in from taxation, I think it is time for Congress to tighten our belt and bring in a real wartime tax bill.

Mr. DOUGHTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Louisiana [Mr. BROOKS].

Mr. BROOKS. Mr. Chairman, I voted this morning for an open rule in the handling of this bill. I am opposed to some of the provisions of H. R. 3687 and

in order to obtain a separate vote on these sections, an open rule was necessary. In the vote this morning, the overwhelming majority of the House indicated its desire for a closed rule which was adopted. As a result of this action, it serves no useful purpose to continue opposition to certain sections of this bill and in voting the membership of the House must accept or reject the bill in toto. I have sought this time merely to make plain my position in reference to the adoption of the rule under which the bill is being handled.

Mr. MCCORMACK. Mr. Chairman, I am in receipt of a letter from William Green, president of the American Federation of Labor, protesting against the provisions of section 112 of the pending bill.

Any views or opinions of Mr. Green are always worthy of deep consideration.

This letter states the position of the A. F. of L. in opposition to section 112. In the event the Senate amends section 112 in a manner satisfactory to the A. F. of L., I know the contents of this letter will receive the serious consideration of the House conferees when the bill is in conference.

AMERICAN FEDERATION OF LABOR,
Washington, D. C., November 22, 1943.
Hon. JOHN W. MCCORMACK,
House of Representatives,
Washington, D. C.

MY DEAR CONGRESSMAN: I wish to direct your attention to section 112, found on page 28, of H. R. 3687, the tax bill now pending before the United States House of Representatives.

This section requires every organization, with a few exceptions, who are exempt from taxes under section 101, to file an annual return, stating specifically the items of gross income, receipts, and disbursements.

On page 24 of the committee report on the bill your attention is directed to the committee's announced reasons for requiring these reports.

"Under existing law a large group of corporations enjoy tax exemption and many of which are not required to file information returns.

"It has come to the attention of your committee that many of these exempt corporations and organizations are directly competing with companies required to pay income taxes, and that this practice is becoming more widespread and affording a loophole for tax evasion and avoidance.

"These organizations were originally given this tax exemption on the theory that they were not operated for profit, and that none of their proceeds inured to the benefit of shareholders. However, many of these organizations are now engaged in operation of apartment houses, office buildings, and other businesses which directly compete with individuals and corporations required to pay taxes on income derived from like operations."

These reasons are absurd if an attempt should be made to apply them to labor organizations, and unless some ulterior motive lies behind the reasons for incorporating such language in the bill we cannot understand why labor organizations were not included in the exemptions in section 112.

We realize fully that as a gag rule has been granted for the consideration of this bill that very little can be done about it when the House considers the bill, but nevertheless we wish to emphatically register our protest against section 112.

Sincerely yours,

WM. GREEN,
President, American Federation of Labor.

The CHAIRMAN. Under the rule under which the bill is being considered, at the conclusion of general debate the bill is considered as read, and amendments may be offered only at the direction of the Committee on Ways and Means.

Mr. DOUGHTON. Mr. Chairman, I offer a committee amendment.

The Clerk read as follows:

Committee amendment offered by Mr. DOUGHTON: On page 11, in the third column of the table, strike out "260.40" and insert "260.60."

On page 56, line 25, before "Section", insert "(a) In general.—"; and on page 57, after line 3, insert the following:

"(b) Taxable years to which applicable: The amendment made by subsection (a) insofar as it relates to flake graphite shall be applicable with respect to taxable years beginning after December 31, 1942."

Page 121, line 9, strike out "(d)" and insert "(c)."

Mr. DOUGHTON. Mr. Chairman, these are clarifying amendments that carry out the intent of the committee.

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. GORE, Chairman of the Committee of the Whole House on the state of the Union, reported that that Committee, having had under consideration the bill (H. R. 3687) to provide revenue, and for other purposes, pursuant to House Resolution 360, reported the same back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Mr. PRIEST. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Mr. McCORMACK. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 165]

Allen, La.	Fitzpatrick	Johnson, Ind.
Auchincloss	Fogarty	Johnson, Okla.
Baldwin, Md.	Ford	Jones
Barden	Fuller	Kearney
Bates, Mass.	Fulmer	Kee
Bland	Furlong	Keefe
Bolton	Gale	Kennedy
Boykin	Gallagher	Kerr
Bradley, Pa.	Gavagan	Kilburn
Buckley	Gavin	King
Byrne	Gillette	Kinzer
Canfield	Goodwin	Klein
Cannon, Mo.	Graham	LaFollette
Carter	Grant, Ala.	Lambertson
Celler	Green	Lesinski
Chenoweth	Hale	Lewis, Colo.
Compton	Halleck	Luce
Crawford	Harness, Ind.	Martin, Mass.
Cullen	Harris, Va.	Mason
Dewey	Hart	May
Dickstein	Hébert	Merritt
Dies	Heffernan	Miller, Conn.
Dirksen	Hendricks	Miller, Pa.
Douglas	Hobbs	Morrison, La.
Eaton	Hollfield	Murphy
Eberharter	Holmes, Wash.	Myers
Fay	Jackson	Newsome
Fish	Jarman	Norton

O'Brien, N. Y.	Scott	Troutman
O'Leary	Simpson, Pa.	Vinson, Ga.
O'Toole	Smith, Ohio	Wadsworth
Philbin	Smith, Wis.	Walter
Plumley	Snyder	Wells
Powers	Sparkman	Wene
Pracht	Starnes, Ala.	Whelchel, Ga.
Ramspeck	Sullivan	Whitten
Reece, Tenn.	Sundstrom	Wigglesworth
Reed, Ill.	Taber	Wolfenden, Pa.
Robison, Ky.	Thomas, N. J.	Wolverton, N. J.
Rodgers, Pa.	Thomas, Tex.	Woodrum, Va.
Rogers, Calif.	Tibbott	
Sabath	Tolan	

The SPEAKER. On this roll call, 305 Members have answered to their names; a quorum is present.

Further proceedings under the call were dispensed with.

The SPEAKER. The question is on agreeing to the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. GEARHART. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. GEARHART. I am opposed to the bill, Mr. Speaker.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. GEARHART moves to recommit the bill H. R. 3687 to the Committee on Ways and Means.

Mr. DOUGHTON. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and on a division (demanded by Mr. HULL) there were—ayes 200, noes 27.

So the bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND REMARKS

Mr. DOUGHTON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their own remarks on the revenue act.

The SPEAKER. Is there objection?

There was no objection.

ADJOURNMENT UNTIL FRIDAY

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet on Friday next.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. McCORMACK. I desire to announce that there will be no business on Friday.

PERMISSION TO ADDRESS THE HOUSE

Mr. MICHENER. Mr. Speaker, I ask unanimous consent that on Friday next,

the gentleman from Michigan [Mr. HOFFMAN] may address the House for 15 minutes?

The SPEAKER. Is there objection?

There was no objection.

EXTENSION OF REMARKS

Mr. MICHENER. Mr. Speaker, I ask unanimous consent that the gentleman from Illinois [Mr. REED] may extend his own remarks in the RECORD and include certain excerpts.

The SPEAKER. Is there objection?

There was no objection.

Mr. ARENDS. Mr. Speaker, I ask unanimous consent that the gentleman from Pennsylvania [Mr. GAVIN] who addressed the committee this afternoon may be permitted to extend his remarks and include therein three letters.

The SPEAKER. Is there objection?

There was no objection.

ELECTION TO COMMITTEE ON ELECTIONS NO. 1

Mr. DOUGHTON. Mr. Speaker, I offer a privileged resolution (H. Res. 367) which I send to the desk.

The Clerk read as follows:

Resolved, That THOMAS G. ABERNETHY, of the State of Mississippi, and ANTONIO M. FERNANDEZ, of the State of New Mexico, be, and they are hereby, elected members of the Standing Committee of the House of Representatives on Elections No. 1.

The resolution was agreed to.

EXTENSION OF REMARKS

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD and include therein an editorial from the Miles City (Mont.) Star, a daily newspaper in Montana.

The SPEAKER. Is there objection?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. O'CONNOR. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection?

There was no objection.

Mr. O'CONNOR. Mr. Speaker, I pointed out here yesterday that we have on storage in the United States today 630,000,000 pounds of beef, pork, mutton, and lamb, and still the value of the points is so high for all these meats that it is impossible for the American people to buy a needed supply of meat. I have just received the following telegram from three of the leading stockmen in the State of Montana:

Livestock values continue to grow worse as markets are becoming congested. Why not remove all point values on meat? Montana livestock growers are looking to you to help save our industry.

RUSSELL MANGER.
ED McREYNOLDS.
OLIVER EVERT.

And I want to say, Mr. Speaker, that this is only one of a flood of telegrams along this line that I am receiving. In addition to the stored meats the country is full of beef cattle, sheep and hogs that could be slaughtered.

The SPEAKER. The time of the gentleman from Montana has expired.

EXTENSION OF REMARKS

Mr. RANDOLPH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therewith certain parts of an article by my colleague the gentleman from North Carolina [Mr. BULWINKLE].

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. COFFEE. Mr. Speaker, I ask unanimous consent to extend my own remarks on three topics and in connection with each to include a newspaper article.

The SPEAKER. Without objection it is so ordered.

There was no objection.

COMMODITY CREDIT CORPORATION BILL

Mr. BROOKS. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. BROOKS. Mr. Speaker, my colleague the gentleman from Louisiana [Mr. ALLEN] was unable because of sudden illness to be present to vote last night on the Commodity Credit Corporation bill. I am authorized to state that had he been present he would have voted for the bill.

EXTENSION OF REMARKS

Mr. VOORHIS of California. Mr. Speaker, I ask unanimous consent to extend my own remarks and include a short poem.

The SPEAKER. Without objection it is so ordered.

There was no objection.

Mr. HOLMES of Massachusetts. Mr. Speaker, I ask unanimous consent to insert in the RECORD a speech delivered by Hon. Harold L. Ickes at the twenty-fourth annual meeting of the Petroleum Institute in Chicago. It is estimated that this will cost \$117.

The SPEAKER. Without objection, notwithstanding the cost, the extension may be made.

There was no objection.

Mr. HOLMES of Massachusetts. Mr. Speaker, I also ask unanimous consent to insert in the RECORD a speech made by Ralph K. Davies, Deputy Petroleum Administrator for War, also at the American Petroleum Institute's twenty-fourth annual meeting, on November 10. This is estimated to cost \$135.

The SPEAKER. Notwithstanding the cost, without objection the extension may be made.

There was no objection.

Mr. HARTLEY. Mr. Speaker, I ask unanimous consent to include in the remarks I made this afternoon several letters in connection with title IV of the bill.

The SPEAKER. Without objection it is so ordered.

There was no objection.

RIGHTS OF VETERANS

Mrs. ROGERS of Massachusetts. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my own remarks.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mrs. ROGERS of Massachusetts. Mr. Speaker, the President on yesterday sent to the House a message asking that certain legislation be passed for the benefit of veterans. I agree with those suggestions, but I would like to state that the administration should see to it that the bills we have already passed for the veterans be properly carried out and that the veterans receive the full benefit of those laws. This is not the case today, and I am greatly distressed. Men and women are going home from hospitals without compensation; and veterans are going home and nothing is done about their rehabilitation. No real effort is made while they are hospitalized to tell them of their rights under laws we have passed. There is a growing tide of resentment because they have not been informed and assisted with their claims. The longer the time elapses after a veteran's discharge, the harder it is to establish service connection for a disability or aggravation of a disability which existed prior to enlistment; the harder it is to secure employment, the harder it is to secure the right kind of training and rehabilitation. The service men and women deserve the Government's every consideration. It is the just obligation of the administration.

EXTENSION OF REMARKS

Mr. GEARHART. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein two letters.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. JENNINGS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Appendix of the RECORD and to include therein an address by the dean of the law school of Duke University. It is estimated that this will cost \$144.

The SPEAKER. Without objection, notwithstanding the cost, the extension may be made.

There was no objection.

Mr. MERROW. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein two resolutions adopted by New England commissioners of agriculture, representatives of milk-control boards, and principal cooperative milk producers' associations of New England on November 19, 1943.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. ARNOLD. Mr. Speaker, I ask unanimous consent to extend the remarks I made in the Committee of the Whole this afternoon and to include therein a letter.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

Mr. CARSON of Ohio. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial from the Cleveland Plain Dealer.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. CARSON]?

There was no objection.

Mr. BISHOP. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial.

The SPEAKER. Is there objection to the request of the gentleman from Illinois [Mr. BISHOP]?

There was no objection.

Mr. LANDIS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include some editorial comments.

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. LANDIS]?

There was no objection.

(Mr. FLOESER asked and was given permission to extend his own remarks in the Appendix of the RECORD.)

Mr. ROWE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD in two instances and to include editorials from two papers in my district.

The SPEAKER. Is there objection to the request of the gentleman from Ohio [Mr. ROWE]?

There was no objection.

Mr. GEARHART. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an article by Harold G. Aron and Frederick W. Eisner. Mr. Speaker, this article will occupy more space in the RECORD than permitted, and pursuant to the rule I have applied to the Public Printer for an estimate and he informs me that it will take five and three-fifths pages and the cost to the Government will be \$252. I ask unanimous consent that this be included notwithstanding the cost.

The SPEAKER. Is there objection to the request of the gentleman from California [Mr. GEARHART]?

There was no objection.

Mr. FISH. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial.

The SPEAKER. Is there objection to the request of the gentleman from New York [Mr. FISH]?

There was no objection.

Mr. GILLIE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include correspondence between the Food Administrator and myself, together with an article from the Fort Wayne News Sentinel concerning the Government's failure to maintain a support price on hogs.

The SPEAKER. Is there objection to the request of the gentleman from Indiana [Mr. GILLIE]?

There was no objection.

Mr. MUNDT. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include certain editorials and newspaper comments.

The SPEAKER. Is there objection to the request of the gentleman from South Dakota [Mr. MUNDT]?

There was no objection.

Mr. PRIEST. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include a list of newspapers that have published editorials in support of the Lea civil aviation bill.

The SPEAKER. Is there objection to the request of the gentleman from Tennessee [Mr. PRIEST]?

There was no objection.

Mr. HAYS. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include therein an editorial.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas [Mr. HAYS]?

There was no objection.

Mr. MAGNUSON. Mr. Speaker, I ask unanimous consent to extend my own remarks in the RECORD and to include an editorial from the Boston Daily Globe, on the question of subsidies.

The SPEAKER. Is there objection to the request of the gentleman from Washington [Mr. MAGNUSON]?

There was no objection.

SULLIVAN VERSUS MILLER

Mr. PETERSON of Georgia. Mr. Speaker, I submit a privileged resolution and ask for its immediate consideration.

The Clerk read the resolution (H. Res. 368), as follows:

Resolved, That the election contest of John B. Sullivan, contestant, against Louis E. Miller, contestee, Eleventh Congressional District of Missouri, be dismissed.

The resolution was agreed to.

A motion to reconsider was laid on the table.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To MESSRS. EATON, POWERS, CANFIELD, AUCHINCLOSS, THOMAS of New Jersey, SUNDSTROM, and WOLVERTON of New Jersey, on account of attending funeral of the late Senator Barbour, of New Jersey.

To Mr. ALLEN of Louisiana (at the request of Mr. BROOKS), for 2 days, on account of illness.

EXTENSION OF REMARKS

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent that at the end of debate in the Committee of the Whole today I may be permitted to insert my own remarks and to include therein a letter sent to me by William Green, president of the American Federation of Labor.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. McCORMACK]?

There was no objection.

CONSTRUCTIVE SUGGESTIONS

Mr. McCORMACK. Mr. Speaker, I ask unanimous consent to proceed for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts [Mr. McCORMACK]?

There was no objection.

Mr. McCORMACK. Mr. Speaker, I listened with deep interest to the remarks made by the gentlewoman from Massachusetts [Mrs. ROGERS]. I always have a feeling of pleasure when I hear anything uttered on the floor of a constructive nature, and that includes criticism that is constructive.

No matter what side of the aisle we sit on, we are all interested in the men and women who wear the country's uniform and we are all interested in the

men and women who may be discharged from the Army because of wounds or for any other medical reason. We are all particularly interested in such persons receiving the compensation to which they are entitled under the law as quickly as possible. We all realize that there are some practical difficulties, but there should not be any delay beyond the minimum.

As an individual member I welcome the suggestion of the gentlewoman from Massachusetts [Mrs. ROGERS] and I join with her in urging the agencies of the Government to whom we have delegated the administration of laws relating to our veterans, those who have been discharged up to this time or those who may be discharged in the future, to expedite action as quickly as possible in seeing that those men and women who have served our country in war and who have been discharged because of physical disabilities receive as quickly as is humanly possible the rights that our Government has determined they are entitled to under the law.

I welcome, as I know all Members do, constructive suggestions and constructive criticism of the nature just given by the gentlewoman from Massachusetts [Mrs. ROGERS].

The SPEAKER. The time of the gentleman has expired.

ADJOURNMENT

Mr. McCORMACK. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 56 minutes p. m.) the House, pursuant to special order heretofore adopted, adjourned until Friday, November 26, 1943, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON FOREIGN AFFAIRS

The Committee on Foreign Affairs will meet in executive session at 10 a. m., Friday, November 26, 1943, for further consideration of House Resolution 350 and House Resolution 352, providing for the creation by the Executive of a commission to effectuate the rescue of the Jewish people of Europe.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

928. A letter from the Acting Director, Office of Civilian Defense, transmitting a revised copy of quarterly estimate of personnel requirements for the quarter ending December 31, 1943, covering the protective property program of the Office of Civilian Defense as submitted to the Bureau of the Budget; to the Committee on the Civil Service.

929. A letter from the secretary, United States Employees' Compensation Commission, transmitting copy of the quarterly estimate of personnel requirements presented to the Director of the Bureau of the Budget for the quarter ending December 31, 1943; to the Committee on the Civil Service.

930. A letter from the Acting Secretary of the Navy, transmitting a draft of a proposed bill to provide for reimbursement of certain Navy personnel and former Navy personnel for personal property lost or damaged

as the result of a fire in Building B. O. C. O-3 at the United States Naval Construction Training Center, Davisville, R. I., on March 27, 1943; to the Committee on Claims.

931. A letter from the Chairman, War Production Board, transmitting the eighth report upon the operations of the Chairman of the War Production Board; to the Committee on Banking and Currency.

932. A letter from the Acting Secretary of the Interior, transmitting, pursuant to section 16 of the Organic Act of the Virgin Islands of the United States, approved June 22, 1936, one copy each of various legislation passed by the Municipal Council of St. Thomas and St. John; to the Committee on Insular Affairs.

933. A letter from the Secretary of War, transmitting a copy of the quarterly estimate of personnel requirements, as transmitted to the Director of the Bureau of the Budget, setting forth the estimate of the number of employees required for the proper and efficient exercise of the functions of the War Department, for the quarter ending December 31, 1943; to the Committee on the Civil Service.

934. A letter from the chairman, Joint Committee on Reduction of Nonessential Federal Expenditures, transmitting in accordance with title 6 of the Revenue Act of 1941, Public Law 250, Seventy-seventh Congress, a report on Federal personnel; to the Committee on Ways and Means.

935. A letter from the Archivist of the United States, transmitting report on records proposed for disposal by various Government agencies; to the Committee on the Disposition of Executive Papers.

936. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated May 8, 1943, submitting a report, together with accompanying papers, on a review of reports on Cape Porpoise Harbor, Maine, requested by a resolution of the Committee on Rivers and Harbors, House of Representatives, adopted on March 11, 1941; to the Committee on Rivers and Harbors.

937. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated August 12, 1943, submitting a report, together with accompanying papers, on a review of report on the Tennessee River and tributaries, with a view to determining whether any improvement of Bear Creek, tributary of the Tennessee River, in the States of Mississippi and Alabama, is advisable, requested by a resolution of the Committee on Flood Control, House of Representatives, adopted on May 2, 1939; to the Committee on Flood Control.

938. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated August 20, 1943, submitting a report, together with accompanying papers, on a review of reports on Brazos Island Harbor, Tex., requested by a resolution of the Committee on Rivers and Harbors, House of Representatives, adopted on February 11, 1941; to the Committee on Rivers and Harbors.

939. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated August 12, 1943, submitting a report, together with accompanying papers, on a preliminary examination and survey of Calleguas Creek, Calif., which comes within the authorization of the Flood Control Act approved on June 28, 1938, for streams in Los Angeles and Ventura Counties, draining the Santa Monica Mountains, Calif., directly into the Pacific Ocean; to the Committee on Flood Control.

940. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated April 21, 1943, submitting a report, together with accompanying papers, on a review of reports on Black River, Sanilac and St. Clair Counties, Mich., requested by resolutions of the

Committee on Rivers and Harbors, House of Representatives, adopted on October 5 and December 6, 1940; to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. MAY: Committee on Military Affairs. S. 1410. An act to amend section 4 of the act approved June 13, 1940; with amendment (Rept. No. 886). Referred to the Committee of the Whole House on the state of the Union.

Mr. PETERSON of Georgia: Committee on Elections No. 3. House Resolution 368. Resolution to dismiss election contest case of John B. Sullivan, contestant, against Louis E. Miller, contestee, Eleventh Congressional District of Missouri; without amendment (Rept. No. 887). Referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. JENNINGS: Committee on Claims. S. 990. An act for the relief of the Washington, Brandywine & Point Lookout Railroad Co.; without amendment (Rept. No. 880). Referred to the Committee of the Whole House.

Mr. PATTON: Committee on Claims. H. R. 1412. A bill for the relief of Mildred B. Hampton; with amendment (Rept. No. 881). Referred to the Committee of the Whole House.

Mr. ABERNETHY: Committee on Claims. H. R. 2097. A bill for the relief of W. J. Cox; with amendment (Rept. No. 882). Referred to the Committee of the Whole House.

Mr. PITTINGER: Committee on Claims. H. R. 2109. A bill for the relief of the estate of Mrs. Minerva C. Davis; with amendment (Rept. No. 883). Referred to the Committee of the Whole House.

Mr. ABERNETHY: Committee on Claims. H. R. 3537. A bill for the relief of Bessie Eason; with amendment (Rept. No. 884). Referred to the Committee of the Whole House.

Mr. McGEHEE: Committee on Claims. H. R. 2690. A bill for the relief of Oswald L. Sawyer; with amendment (Rept. No. 885). Referred to the Committee of the Whole House.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. JENKINS:

H. R. 3730. A bill to provide for Federal aid to the several States in carrying out plans for industrial rehabilitation in the counties thereof; to the Committee on Ways and Means.

By Mr. TOWE:

H. R. 3731. A bill to provide for the appointment of an additional district judge for the district of New Jersey; to the Committee on the Judiciary.

H. R. 3732. A bill to repeal the prohibition against the filling of a vacancy in the office of district judge in the district of New Jersey; to the Committee on the Judiciary.

By Mr. BARRY:

H. R. 3733. A bill to provide for college education for qualified post-war veterans; to the Committee on Education.

By Mr. SIKES:

H. R. 3734. A bill to provide for Federal aid to the several States in carrying out plans for industrial rehabilitation in the counties thereof; to the Committee on Ways and Means.

By Mr. HOLIFIELD:

H. R. 3735. A bill to provide for the readjustment and rehabilitation of veterans in the present war, during the post-war period, by the extension of compensation after honorable discharge from the service, and for other purposes; to the Committee on Military Affairs.

By Mr. WICKERSHAM:

H. R. 3736. A bill to permit individuals to deduct from gross income for income-tax purposes certain amounts paid as life insurance premiums; to the Committee on Ways and Means.

By Mr. HOLIFIELD:

H. Res. 364. Resolution to provide for the trial and deportation of individuals convicted of disloyalty or treason to the United States Government; to the Committee on Immigration and Naturalization.

By Mr. PHILLIPS:

H. Res. 365. Resolution to amend rule XI of the Rules of the House, so as to grant to standing committees the power of subpoena; to the Committee on Rules.

By Mr. ENGLE of California:

H. Res. 366. Resolution expressing the sense of the House that the war relocation camp at Tulelake, Calif., be transferred to the Department of War; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. CANNON of Florida:

H. R. 3737. A bill for the relief of M. H. Harris; to the Committee on Claims.

By Mr. PAGÁN:

H. R. 3738. A bill granting an increase of pension to Jose Vega Martinez; to the Committee on Invalid Pensions.

By Mr. ROLPH:

H. R. 3739. A bill for the relief of the West Electric Heater Co.; to the Committee on Claims.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

3718. By Mr. BRYSON: Petition of Ruth W. Cooley and 33 other citizens of Denver, Colo., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3719. Also, petition of Rev. C. H. French and 85 other members of the First Methodist Church, of Cameron, Mo., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3720. Also, petition of Mrs. Harry Lybrook and 58 other citizens of Camden, Ohio, urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alco-

holic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3721. Also, petition of Dr. G. F. Jones and 105 other citizens of Jackson, Tenn., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3722. Also, petition of V. H. Lewis and 149 other citizens of Norman, Okla., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3723. Also, petition of Mrs. L. H. Peterson and 30 other citizens of Erskine, Minn., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3724. Also, petition of Ruby E. Trapahagan and 48 other citizens of Richland, N. Y., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3725. Also, petition of Rev. A. P. Gregory and 86 other members of First Church of God, of Modesto, Calif., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3726. Also, petition of Iris Whittlesea and 33 other citizens, of Portland, Oreg., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3727. Also, petition of 681 citizens of Ottumwa, Iowa, urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3728. Also, petition of Mr. and Mrs. Ivan T. Lawson and 55 other citizens of Ijamsburg, Md., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3729. Also, petition of Mrs. John Van Oden and 20 other citizens of Livingston, Mont., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by

prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3730. Also, petition of Rev. George Woodall and 50 other members of the Methodist Church of St. Helena, Calif., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3731. Also, petition of Mrs. F. H. Burns and 220 other citizens of Indianapolis, Ind., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3732. Also, petition of Mrs. Joe Franklin and 122 other citizens of Corpus Christi, Tex., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3733. Also, petition of Edith Johnson and 19 other citizens of Tacoma, Wash., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3734. Also, petition of 75 citizens of Vallejo, Calif., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3735. Also, petition of Rev. Hillyer H. Straton and 161 other citizens of Detroit, Mich., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3736. Also, petition of Rev. H. A. Hammer and 20 citizens of Redwood City, Calif., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3737. Also, petition of Mrs. Fred Barnum and 53 other citizens of Goodwell, Okla., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3738. Also, petition of Rev. Milton A. Marcy and 101 members of the First Methodist Church of Tacoma, Wash., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manu-

facture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3739. Also, petition of Mrs. O. Olsen and 100 other citizens of Chicago, Ill., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3740. Also, petition of 50 citizens of Bangor, Maine, urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3741. Also, petition of 24 citizens of Roseburg, Oreg., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3742. Also, petition of Floyd F. Smith and 22 other citizens of Indianapolis, Ind., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3743. Also, petition of Rev. George W. Henderson and 80 other members of United Presbyterian Church, of West Sunbury, Pa., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3744. Also, petition of 90 citizens of Maryville, Mo., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3745. Also, petition of 86 citizens of Willows, Calif., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3746. Also, petition of Mrs. Ernest Hutchinson and 31 other citizens of Elizabeth, Pa., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3747. Also, petition of Mrs. Minnie Way and 38 citizens of Sea Isle City, N. J., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3748. Also, petition of 180 citizens of Indianapolis, Ind., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3749. Also, petition of Mrs. Earl Nielson and 80 other citizens of Milbank, S. Dak., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3750. Also, petition of Warren K. Douglas and 81 other citizens of Portland, Oreg., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3751. Also, petition of Mrs. Earle Coleman and 33 other citizens of Sudlersville, Md., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3752. Also, petition of Fred R. Cox and 35 other citizens of McLouth, Kans., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3753. Also, petition of 39 citizens of Seattle, Wash., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3754. Also, petition of Mr. S. A. Derr and 36 other citizens of Alva, Okla., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3755. Also, petition of Hazel Thomas and 30 other citizens of Edison, Ohio, urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3756. Also, petition of A. L. Fuller and 32 other citizens of Union, Maine, urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3757. Also, petition of Rev. Spencer Baker and 27 other citizens of Baldwin, Ill., urging enactment of House bill 2082, a measure to

reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3758. Also, petition of Ora Upham and 65 other citizens of Lebanon, N. Y., urging enactment of House bill 2082, a measure to reduce absenteeism, conserve manpower, and speed production of materials necessary for the winning of the war by prohibiting the manufacture, sale, or transportation of alcoholic liquors in the United States for the duration of the war; to the Committee on the Judiciary.

3759. By Mr. ROLPH: Resolution No. 4 of the Kiwanis International, California-Nevada district, approving the decentralization of governmental agencies; to the Committee on Public Buildings and Grounds.

3760. Also, resolution No. 2 of the Kiwanis International, California-Nevada district, opposing return of persons of Japanese ancestry to the Pacific coast; to the Committee on Military Affairs.

3761. Also, resolution of the Building and Construction Trades Council of San Francisco, requesting the National Housing Agency to program allocations to civilians' new homes and that the immigrant war workers directive be set aside for these homes, and that the War Production Board release materials and grant priorities for their construction in accordance with the civilian needs of metropolitan centers; to the Committee on Banking and Currency.

3762. By Mr. KEOGH: Resolution adopted by the Mining and Metallurgical Society of America with reference to the so-called Kilgore-Patman bills; to the Committee on Patents.

3763. Also, resolution adopted by the American Institute of Consulting Engineers with reference to the so-called Kilgore-Patman bills; to the Committee on Patents.

3764. By Mr. SMITH of West Virginia: Petition of the Woman's Christian Temperance Union of Nitro, W. Va., asking Congress to pass the Bryson bill (H. R. 2082); to the Committee on the Judiciary.

3765. By Mr. COCHRAN: Petition of Jos. C. Walsh and 20 other St. Louis citizens, protesting against the passage of House bill 2082, which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3766. Also, petition of C. H. Schauwecker and 20 other St. Louis citizens, protesting against the passage of House bill 2082 which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3767. Also, petition of R. J. Long and 22 other citizens, protesting against the passage of House bill 2082 which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3768. Also, petition of Peter Elsel and signed by 98 other St. Louis citizens, protesting against the passage of House bill 2082 which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3769. Also, petition of Josephine McMahon and 83 other St. Louis citizens, protesting against the passage of House bill 2082 which seeks to enact prohibition for the period of the war; to the Committee on the Judiciary.

3770. Also, petition in the form of a telegram submitted by President Morris Shaplor, and Secretary Noah W. Salz, of the Vaad Hoer Council of St. Louis Orthodox Jewry, composed of 21 congregations, urgently urging support of the Rogers-Baldwin resolution creating a commission to formulate and effectuate a plan to save the surviving Jewish people of Europe from extinction at the hands of Nazi Germany; to the Committee on Foreign Affairs.

3771. By Mr. GWYNNE: Petition of Mrs. R. O. Moore and signed by many other residents of Mason City, Iowa, urging passage of House bill 2082, commonly known as the Bryson bill; to the Committee on the Judiciary.

3772. By Mr. THOMASON: Petition of employees of El Paso Natural Gas Co., urging that the present rate for pay-roll deductions under the Social Security Act be frozen at the present level; to the Committee on Ways and Means.

3773. Also, petition of employees of the Zork Hardware Co., of El Paso, Tex., voicing opposition to increase in social-security tax, and approval of freezing the tax at the present rate; to the Committee on Ways and Means.

3774. Also, petition of employees of the El Paso Electric Co., urging that present rate for pay-roll deductions under the Social Security Act be frozen at the present level; to the Committee on Ways and Means.

3775. By Mr. SCHIFFLER: Petition of Phares E. Reeder, acting executive secretary of the West Virginia State Education Association, Charleston, W. Va., urging the passage of legislation providing Federal aid to the public schools of the Nation; to the Committee on Education.

3776. By Mr. VURSELL: Petition signed by Rev. E. L. Banta, of Jacksonville, Ill., and 1,795 other citizens of Illinois, calling upon the Congress and the Government to stop the sale of alcoholic beverages and to suppress vice in and around Army camps; to the Committee on the Judiciary.

3777. By the SPEAKER: Petition of the Brown Swiss Cattle Breeders' Association, requesting a curtailment of Government regulations; to the Committee on Banking and Currency.

3778. Also, petition of the clerk, board of supervisors, county of Los Angeles, State of California, petitioning consideration of their resolution with reference to opposing passage of Senate bill 1257 and House bill 3018; to the Committee on Irrigation and Reclamation.

3779. Also, petition of the secretary, Eastern Meat Packers Association, Inc., petitioning consideration of their resolution with reference to House bill 3477; to the Committee on Banking and Currency.

SENATE

FRIDAY, NOVEMBER 26, 1943

(Legislative day of Thursday, November 18, 1943)

The Senate met at 12 o'clock noon, on the expiration of the recess.

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Father of all mercies, now that our day of national thanksgiving has passed as an observance we would put not away the garments of praise; but with thankful hearts we would take the cup of salvation and with the grace of gratitude bow in reverence before Thee, the giver of all good.

We thank Thee for all the comrades of the years who have walked and wrought by our side. Especially do we thank Thee for the life and service of our friend and colleague who, after so many faithful years in this Chamber, has suddenly ended his earthly labors. We remember his stalwart form which was but the fitting tabernacle for a personality which radi-

ated kindness and courtesy and an unfaltering fidelity to public duty and to the service of the Nation. Comfort those whose hearts are stricken at his going. While we mourn that we shall see his face no more, solemnize us by the uncertainty of our own working day. The hurrying pace of these crowded years frightens and amazes us. Ere ever the day has worn to noon or we have even planned the work we meant to do, the night comes down upon us and we can work no more. We wake to mourn what we have missed, to value most what comes no more.

May we lengthen our brief life by intensity of living, filling swift hours with mighty deeds. Let us hasten to speak that which is within us, lest we be called away before the story is begun. If there is anything Thou hast meant us to do in life, O spare us until we have accomplished it. If there is any kindness we can show, may we not neglect nor defer it, seeing that we pass this way but once. And when the shadows gather round us, whether that twilight shall be sooner or later, may we be very near to the eternal morning and to Thee and to those we have loved and lost a while. We ask it in the dear Redeemer's name. Amen.

THE JOURNAL

On request of Mr. BARKLEY, and by unanimous consent, the reading of the Journal of the proceedings of the calendar day Tuesday, November 23, 1943, was dispensed with, and the Journal was approved.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the Senate by Mr. Miller, one of his secretaries.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Maurer, one of its reading clerks, communicated to the Senate the resolutions of the House adopted as a tribute to the memory of Hon. W. Warren Barbour, late a Senator from the State of New Jersey.

The message announced that the House had passed the following bills and joint resolution, in which it requested the concurrence of the Senate:

H. R. 3477. An act to continue the Commodity Credit Corporation as an agency of the United States, to revise the basis of annual appraisal of its assets, and for other purposes;

H. R. 3687. An act to provide revenue, and for other purposes; and

H. J. Res. 175. Joint resolution commemorating the fortieth anniversary of the first airplane flight by Wilbur and Orville Wright.

ENROLLED BILLS AND JOINT RESOLUTION SIGNED

The message also announced that the Speaker had affixed his signature to the following enrolled bills and joint resolution, and they were signed by the Vice President:

S. 630. An act to amend section 107 of the Judicial Code, as amended, to change the terms of the district court for the middle district of Tennessee;

S. 759. An act conferring jurisdiction upon the United States District Court for the Eastern District of Tennessee to hear, determine,